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INTERIM REPORT OF THE AD HOC COMMITTEE ON THE QUESTION OF THE ESTABLISHMENT OF A SPECIAL UNITED NATIONS FUND FOR ECONOMIC DEVELOPMENT

56-15752

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Introduction

1. In resolution 923 (X) of 9 December 1955,[1] the General Assembly requested the Secretary-General "to invite the States Members of the United Nations and members of the specialized agencies in the economic and social sphere, to transmit to him, not later than 31 March 1956, their views, as definitely as possible, relating to the establishment, role, structure and operations of a Special United Nations Fund for Economic Development, bearing in mind particularly the questions enumerated in the annex attached hereto, in order that such views and replies may provide material for the statute of the Fund when it is decided to establish such a Fund".

2. The General Assembly, by the same resolution, established an Ad Hoc Committee composed of representatives of sixteen governments to analyse the above replies and comments of governments with a view to submitting to the Economic and Social Council at its twenty-second session and to the General Assembly at its eleventh session such interim report as it may be in a position to make, and its final report to the twenty-third session of the Council, it being understood that in making such reports, it would not commit any Member Government.

3. The President of the General Assembly suggested, and the General Assembly approved, at its 553rd plenary meeting on 9 December 1955,[2] that the following Member States be designated as the members of the Ad Hoc Committee: Canada, Chile, Colombia, Cuba, Egypt, France, India, Indonesia, Netherlands, Norway, Pakistan, Poland, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America and Yugoslavia.

4. The Ad Hoc Committee held its first session at the United Nations Headquarters in New York City from 7 May to 6 June 1956. The following representatives attended:

1/ This resolution is reproduced at the end of the present report.

2/ General Assembly, Tenth Session, Official Records, 553rd plenary meeting, paragraph 55.

Canada	-	Mr. A. F. W. Plumptre, Representative Mr. J. G. Hadwen, Alternate
Chile	-	H. E. Sr. Rudecindo Ortega, Representative Sr. Miguel Bravo, Alternate
Colombia	-	Sr. Misael Pastrana, Representative
Cuba	-	Sr. Rafael Garcia Navarro, Representative Dra. Ana-Maria Perera, Alternate
Egypt	-	Dr. M. A. Anis, Representative
France	-	M. Barthelemy Epinat, Representative M. Jean Turpin, Alternate
India	-	H. E. Mr. Ali Yavar Jung, Representative H. E. Mr. Arthur S. Lall, Alternate Mr. G. R. Kamat, Alternate Mr. P. N. Kaul, Advisor
Indonesia	-	Mr. Soetikno Slamet, Representative Dr. Sujono Surjotjondro, Alternate Mr. Nuradi, Alternate
Netherlands	-	Professor Jan Tinbergen, Representative Mr. J. Kaufmann, Alternate Mr. A. E. van Braam Houckgeest, Alternate
Norway	-	H. E. Mr. Hans Engen, Representative Mr. Olaf Solli, Alternate
Pakistan	-	H. E. Mr. Mohammad Mir Khan, Representative Mr. S. A. Karim, Adviser
Poland	-	H. E. Mr. Henryk Bireski, Representative Mr. Julian Forys, Adviser Mr. Rafael Kowalczyk, Adviser
Union of Soviet Socialist Republics	-	Mr. Aleksei Ivanovich Roslov, Representative Mr. Ivan M. Romanov, Adviser
United Kingdom	-	Sir Alec Randall, Representative Mr. R. C. Barnes, Alternate Mr. D. N. Brinson, Alternate

United States of America	-	Mr. Nat B. King, Representative Mr. William J. Stibravy, Adviser Mr. William H. Wynne, Adviser
Yugoslavia	-	H. E. Dr. Joza Brilej, Representative Mr. Janes Stanovnik, Alternate Mr. Janvid Flere, Alternate

Observers for the following specialized agencies attended:

Food and Agriculture Organization
International Bank for Reconstruction and Development
International Civil Aviation Organization
International Labour Organisation
International Monetary Fund
United Nations Educational, Scientific and Cultural Organization

The Secretary-General was represented at the meetings by Dr. H. W. Singer, Special Adviser, Bureau of Economic Affairs.

M. Robert Muller, Fiscal and Financial Branch, acted as Secretary of the Committee.

5. Mr. Philippe de Seynes, Under-Secretary in charge of Economic and Social Affairs opened the session. The following officers were elected:

Chairman: H. E. Mr. Ali Yavar Jung (India)
Vice-Chairman: H. E. Sr. Rudecindo Ortega (Chile)
Rapporteur: Mr. Johan Kaufmann (Netherlands)

6. The Chairman and the Vice-Chairman were elected for the first session of the Committee, while the Rapporteur was elected for the first and subsequent sessions of the Committee.

7. The Committee held one public meeting[3/] and twenty-one closed meetings. In addition, ten closed meetings were held by a Working Group consisting of the representatives of Canada, Chile, Egypt, France, India, Indonesia, Pakistan, the United Kingdom, the United States of America, the Union of Soviet Socialist Republics and Yugoslavia.

3/ Summary Record A/AC.83/SR.1 of 9 May 1956.

8. The Committee had before it the replies submitted to the Secretary-General in accordance with resolution 923 (X) by the following forty-six governments:[4] Afghanistan, Austria, Brazil, Burma, Cambodia, Canada, Ceylon, Chile, China, Colombia, Costa Rica, Cuba, Czechoslovakia, Denmark, Ecuador, Ethiopia, Finland, France, Federal Republic of Germany, Greece, Haiti, India, Indonesia, Iran, Israel, Italy, Japan, Jordan, Republic of Korea, Laos, Libya, Nepal, Netherlands, New Zealand, Norway, Pakistan, Philippines, Poland, Saudi Arabia, Sweden, Switzerland, Thailand, Union of South Africa, United Kingdom of Great Britain and Northern Ireland, Republic of Viet-Nam and Yugoslavia.

9. The informal working group appointed by the Second Committee of the General Assembly in order to draft the text of resolution 923 (X) had proposed, and the Second Committee had accepted, in its report, that, in the words of the Chairman of the group,[5] "the task of the Ad Hoc Committee to be appointed by the President of the General Assembly would be to prepare:

(a) A summary of the views submitted by Governments in response to operative paragraph 2;

(b) An analysis of those views, that is, their presentation in such a form as to facilitate the understanding of them by the Economic and Social Council and the General Assembly; and

(c) Such conclusions as clearly emerged from the above analysis".

The Chairman wishes in this context to refer to the reservations made by two delegations to Part III of this report,[6] which in part doubt or question whether the Committee could deal with "conclusions". The Chairman repeats the view he has already expressed in the Committee that, although the Committee was not obliged to engage in the task of drawing conclusions from the analysis, such task, under the terms of the informal working group's recommendations referred to above and accepted by the Second Committee and by the General Assembly, fell within the competence of the Committee if it desired to undertake it.

10. In accordance with resolution 923 (X) and in the light of the above statement, the Committee submits the present interim report which consists of the following parts: Part I "Summary of comments of governments on the

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4/ Published in document A/AC.83/L.1 and addenda 1 to 10.

5/ Tenth General Assembly, Report of the Second Committee, document A/3065, paragraph 10.

6/ Page 101 below.

establishment, role, structure, and operations of a Special United Nations Fund for Economic Development", Part II "Analysis of comments of governments" and Part III "Conclusions".

11. For Part I, the Committee on opening its session had before it a draft summary prepared by the Secretariat on the basis of the thirty-four replies received up to 30 April 1956. This summary was revised by the Committee and expanded during the session so as to include the additional twelve replies received up to 16 May 1956. The analysis contained in Part II covers all the forty-six replies. The conclusions presented in Part III are those which clearly emerge from the summary and analysis. The nature of the subject has, however, created some difficulties as to the classification of the replies.

12. This report will have to be reviewed in the light of further replies when they are received. The Committee plans to submit later a final report incorporating all the revisions which may be necessary to take account of replies which may later be received from governments which have not yet submitted them.

PART I

SUMMARY OF COMMENTS OF GOVERNMENTS ON THE ESTABLISHMENT, ROLE, STRUCTURE AND OPERATIONS OF A SPECIAL UNITED NATIONS FUND FOR ECONOMIC DEVELOPMENT

A. Summary of views on the establishment of a Special Fund

Several governments[1] have noted that operative paragraph 2 of resolution 923 (X) had requested the views of governments inter alia on the establishment of a Special Fund, and consequently submitted introductory statements or separate sections of their replies on this question or stated their views briefly in their communications to the Secretary-General, while others[2] submitted remarks in connexion with some of the questions enumerated in the annex to resolution 923 (X). Many governments have not submitted specific comments on this question.[3] It will be recalled that although governments were invited to submit their views on the establishment of a Special Fund no specific question on this subject was included in the annex to resolution 923 (X) and that various governments had already expressed their position on the establishment of a Special Fund. Previous statements of this kind will not be dealt with in this report.

Views expressed in a special section or introductory statement

1. The Government of Afghanistan states that it looks forward with great interest to the early establishment of the Special United Nations Fund for Economic Development. It considers the financing of economic development in under-developed countries as an international financial problem and therefore welcomes the establishment of international financial organizations within the United Nations. Recognizing the country's economic problems and the need for developing its resources and economic potentialities the Government of Afghanistan has prepared a five-year economic development plan which is to be launched in

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1/ Afghanistan, Burma, Canada, Ceylon, Denmark, France, Federal Republic of Germany, Greece, Italy, Jordan, Libya, Netherlands, New Zealand, Philippines, Poland, Switzerland, United Kingdom, Republic of Viet-Nam, Yugoslavia.

2/ Cambodia, Chile, Colombia, Czechoslovakia, Ecuador, Ethiopia, Haiti, India, Indonesia, Iran, Israel, Republic of Korea, Nepal.

3/ Austria, Brazil, China, Costa Rica, Cuba, Japan, Laos, Norway, Pakistan, Saudi Arabia, Thailand.

the near future. It is essential for the execution of this plan to obtain financial aid in addition to the technical assistance already provided through the United Nations and other agencies.

2. The Government of Burma recalls that its general attitude and its unreserved support for the establishment of a Special Fund has been set forth in the various statements made by its delegate at the successive sessions of the General Assembly.

3. The Government of Canada states that it has in the past supported a Special Fund in principle but has opposed its immediate establishment. The Canadian Government's final decision regarding a fund of the type now under consideration would depend in large measure on whether it was satisfied that the organizational and administrative arrangements were such as to lead to efficient operation and that the fund would command sufficient support to enable it to operate effectively.

4. The Government of Ceylon welcomes the proposal to establish a Special United Nations Fund for Economic Development in order to provide under-developed countries with finance for the building up of an economic-social infrastructure upon which may be based the apparatus of effective production, for which finance may not be obtainable from other sources, e.g., private capital, the International Bank, or other loan-making institutions.

5. The Government of Denmark states that in its memorandum[4/] of 13 April 1954 to the Secretary-General it stressed the importance of an early establishment of the proposed Special Fund, pointing out that increased efforts on the part of the United Nations in furtherance of the economic development of the less developed areas would be an important link in the endeavours to promote the relaxation of international tensions. To the Danish Government it seems neither necessary nor desirable to hold the establishment of the Special Fund in abeyance pending agreement on internationally controlled disarmament.

In accordance with its general policy, the Danish Government stated in a letter of 3 June 1955 to Mr. Raymond Scheyven, Chairman of the Ad Hoc Group of Experts on a Special United Nations Fund, that as soon as the major industrialized

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4/ Comments of Governments on the report of the Committee of Nine, submitted in accordance with General Assembly resolution 724 B (VIII), document A/2646 of 7 May 1954, page 36.

countries had declared themselves ready to participate in the establishment of the Special Fund, the Danish Government would be willing to ask the Danish Parliament for appropriation of a Danish contribution which would be adapted to Denmark's economic conditions and to the size of contributions made by other countries. A Danish contribution of about $2 million is considered appropriate, if the Special Fund is established with a capital of about $250 million.

6. The Government of France recalls that it has always, both in the United Nations General Assembly and in the Economic and Social Council, indicated the keen interest which it takes in the establishment of a Special Fund.

Only an undertaking in which the largest possible number of countries whatever their stage of economic development, were associated, would make it possible to free the necessary resources and to carry out the development work in the most harmonious fashion.

This co-operation should receive expression through the establishment of the Special Fund, which would be the instrument for a transfer of funds betwee the countries which were most advanced and those which were economically under-developed.

The basic role of the Special Fund should be to assist, within the nationa or regional framework, in the establishment of the economic and social infrastructure which is essential to economic development and which cannot be financed from traditional national or international sources.

Obviously, the Fund's resources should be proportionate to the needs, which are considerable. In that connexion a decisive step forward will have been taken when an agreement on disarmament makes it possible to devote to world economic development a portion of the savings achieved.

The need for international action in promoting economic development would appear, however, to be too pressing to await the conclusion of an agreement on disarmament. The machinery for such co-operation as will contribute to the development of peaceful relations between peoples should be set working as soon as possible with the resources now available.

Accordingly, the French Government reaffirms its support of the idea of establishing a Special Fund for Economic Development. If, as is likely, the Ad Hoc Committee established under the General Assembly resolution of 9 December 1955 finds that the majority of replies to the questionnaire are favourable to the establishment of the Special Fund, the French Government for its part will have no objection to the taking of steps to draw up a draft statute. This question might be discussed at the twenty-second session of the Economic and Social Council.

7. The Government of the Federal Republic of Germany states that it has again examined the plan to establish a Special United Nations Fund for Economic Development. As is shown by its participation in the World Bank, the Technical Assistance Programme of the United Nations and, recently, the International Finance Corporation, it is interested in the economic development of countries capable of development. If a new institution - SUNFED - is now to be created in addition to already existing institutions or those in process of being established (IFC), very careful consideration should be given to the question of whether the said institutions could not also fulfil the tasks intended for the Special Fund. According to investigations so far, this possibility would seem out of the question without amending the statutes of the above-mentioned institutions. Alterations in the statutes could also cause considerable difficulty; but it does not seem impossible that existing institutions such as the World Bank could act as agents in procuring the additional funds required - perhaps in the form of "grants-in-aid" from friendly governments - for important development projects. In this way a connexion could be established with the existing national aid programmes without the necessity of creating a new organ within the framework of the United Nations. Furthermore, the establishment of the Special Fund should only be considered provided the participation of the most important world trade countries - particularly the United States of America, Great Britain and France - is assured.

8. The Government of Greece states that it is highly interested in the creation of the Special Fund which would finance projects in under-developed countries. It continues by saying that participation of the economically stronger countries, which are in a position to provide the major part of the necessary funds must be considered as a condition of its establishment.

9. The Government of Italy states that in view of the purpose and functions proposed for the Special United Nations Fund for Economic Development, it is in principle favourable to the setting up of said Fund. No definite commitment is deemed possible in this matter at the present stage, when the attitude of a number of countries is not fully known and therefore it is not yet possible to assess the measure of international support which the Special Fund will receive. Likewise, there is still to be determined the exact extent of the financial burden involved for each country. As a consequence, it is not possible at this stage to state whether the obligations to be assumed will be consistent with the financial capacity of Italy. A determinant element to be borne in mind when evaluating the desirability of the Special Fund, seems to be its intrinsic capacity to meet the tasks assigned to it, that is to say the means it will have at its disposal and the range of effective action it will reach, as compared with the purposes assigned to it. It is, therefore, the opinion of the Italian Government that any detailed discussion on the technical organization and on the functioning of the Special Fund should be preceded by a clear understanding of the general problems underlying its main tasks and activities.

10. The Government of Jordan states that it supports principally the establishment of the Special Fund as a good opportunity for countries needing capital.

11. The Government of Libya considers that the matter of the establishment of a Special United Nations Fund for Economic Development is of the greatest importance to the country in view of the repeated recommendations made by the General Assembly and contained most recently in resolution 924 of the tenth session that: "... if and when further means become available for assisting in the financing of the development of underdeveloped areas, due consideration be given by the United Nations and the specialized agencies to the specific development needs of Libya".

In the absence of any other proposal for the financing of the economic development of under-developed countries the Government of Libya assumes that the Special Fund, if created, would acknowledge this special obligation to assist the development of Libya.

The Government of Libya stands ready accordingly to present both specific proposals for economic development projects as well as an over-all statement of its financial resources and requirements for economic development over a five-year period for the consideration of the authorities of the Special Fund, if and when it is established.

12. The Government of the Netherlands recalls that in the course of the last few years its attitude towards the establishment of a Special Fund, and its readiness to take an active concern in it, has been set forth in various statements to the General Assembly and the Economic and Social Council. (See also below paragraph 30.)

13. The Government of New Zealand after drawing attention to a previous communication[5] setting out its attitude towards participation, states that it fully appreciates the problems being faced by under-developed countries in their efforts to expand their economies and raise the living standards of their peoples. It points out that it is already assisting these efforts through the United Nations Expanded Programme of Technical Assistance, under the Colombo Plan by contributions for capital development projects as well as for technical assistance. These contributions are substantial in relation to the resources of the country, which is itself in a stage of active development, especially to meet the needs of a rapidly increasing population. For these reasons the New Zealand Government is unable to enter into commitments to contribute to the Special Fund should it be established.

14. The Government of the Philippines states that it strongly favours the establishment of a Special Fund and concurs in the recommendations of the Committee of Nine.[6] It adds that the Philippines are embarked on a programme of rapid economic development and, considering the inadequacy of domestic capital,

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5/ Comments of governments on the report of the Committee of Nine, document A/2646, page 49.

6/ Report on a Special United Nations Fund for Economic Development, submitted by a committee of experts appointed by the Secretary-General in pursuance of Economic and Social Council resolution 416 A (XIV), document E/2381 of 18 March 1953. This report is referred to herein as the "Report of the Committee of Nine".

its needs for external capital are great. The proposed Special Fund could thus become an important source of external capital and for this reason, the Philippine Government fully supports its establishment.

15. The Government of Poland recalls that its views on the establishment of a Special Fund were inter alia expressed at the tenth session of the United Nations General Assembly, and adds that it is known that it voted in favour of resolution 923 (X).

17. The Government of Switzerland recalls its previously stated opinion that the establishment of a Special United Nations Fund for Economic Development would at the present time be premature. It adds, however, that it is anxious to give careful study to any measures which may reduce the disparity between the present levels of living in the industrialized and in economically under-developed countries.

18. The Government of the United Kingdom, while supporting in principle the establishment of a Special Fund, expresses the view that such establishment should wait on the fulfilment of the following conditions:

(i) A programme of internationally supervised world-wide disarmament under the auspices of the United Nations should have been embarked upon. So far as the United Kingdom is concerned, and indeed this applies to many other industrial nations, their economic resources are fully deployed at present, and until significant reductions all round in the level of expenditure on arms can be achieved, there can be little hope that funds on the scale required will be forthcoming.

(ii) A certain minimum of money should be available to the Fund before it embarks on any operations at all. The tasks which would face the Fund and the claims made on its resources will be so manifold that unless it were at the outset able to meet a material proportion of such demands and claims, it might betray the hopes of its sponsors and supporters and consequently fall into disrepute.

(iii) The membership of the Special Fund should embrace the bulk of the members of the United Nations. It should include both the highly industrialized nations and those with less developed economies, and all should make a contribution.

In H.M. Government's view, until the three conditions mentioned above are in sight of fulfilment, it would be inappropriate to draw up a statute for the Fund.

19. The Government of the Republic of Viet-Nam is of the opinion that the establishment of the Special Fund will prove extremely useful as a means of enabling under-developed countries with insufficient financial resources to accelerate the development of their economic-social infrastructure. It points out that the low level of average individual income in under-developed countries, especially in those of South East Asia, makes it difficult to mobilize sufficient national capital to initiate a rapid rate of economic expansion so that it is necessary to seek the help of international capital. The establishment of the Special Fund will prove extremely useful as a means of enabling these countries to accelerate the development of their economic-social infrastructure, which is basic to the substantial expansion of their production and to the well-being of their peoples.

20. The Government of Yugoslavia most warmly and resolutely supports the idea of the Special Fund and considers its establishment a matter of great urgency. It holds that the efforts of the peoples of economically under-developed countries to raise their standard of living and achieve economic equality must be supported by international action. It considers that the solution of the problem of economic development will have momentous positive consequences on both economic and political relations between nations. In giving assistance the United Nations would greatly enhance its moral prestige and would therefore greatly strengthen the concept of collective security as well. In its view the Expanded Technical Assistance Programme of the United Nations has demonstrated that international co-operation in the field of economic development can lead to great results but also that this co-operation cannot produce its maximum results so long as it remains limited only to the field of exchange of technical knowledge. An expansion of this co-operation and application of the same principle in the field of international financing is therefore inevitable. The establishment of the Special Fund of the United Nations for Economic Development would mean the practical realization of the provisions of the Charter - and more particularly of Articles 1, 2, 13b, 55 and 56 - and therefore the solemn

fulfilment of the assumed commitments. The Yugoslav Government considers that the present political relations in the world render possible and call for resort to immediate steps in order to bring about the realization of an idea which in the course of these last years has matured in the United Nations and has met with the over-all support of the General Assembly.

Views expressed in connexion with replies to the questions contained in the annex to General Assembly resolution 923 (X)

21. The following governments express views on the establishment of the Special Fund in statements on the desirability of setting it up before the conclusion of an international agreement on disarmament: the Government of Chile considers that the Special Fund should begin operations without delay with sufficient resources to ensure that its operations are effective in the preliminary stages. It hopes that the Special Fund will be set up immediately without waiting for savings from disarmament (in reply to question 3). The Government of Colombia reaffirms its repeatedly stated view that the establishment of the Special Fund cannot be made conditional on the achievement of disarmament (in reply to question 7). The Government of Czechoslovakia expresses the opinion that the Special Fund should start its operations without awaiting agreement on disarmament (even with an initial minimum falling below the proposed figure of $250 million) (in reply to question 3). The Government of Ethiopia emphasizes its view that inception of the Special Fund should not wait upon a formal agreement being concluded for universal disarmament (in reply to question 3). The Government of Israel is of the opinion that the initial subscription to the Fund ought to be made independent of savings resulting from disarmament so as to manifest the intention of all participating governments to proceed with economic development of under-developed countries regardless of political tensions. The Governments of Denmark, France, India and the Netherlands, whose general views are given elsewhere, are also in favour of establishing the Special Fund before the conclusion of a disarmament agreement, the Government of India recalling its position taken on previous occasions, and urging that the establishment of the Special Fund need not be postponed till sufficient progress is made with internationally supervised disarmament (under question 8).

22. The Government of Cambodia, in its reply to question 8, states that the establishment of a Special Fund, empowered to award grants-in-aid and acting as an equipment fund for the specialized agencies, would be very opportune.

23. The Government of Ecuador, in its reply to question 3, states its view that, as soon as there is any prospect of other States joining the Fund in the future and increasing its resources, the Fund should be set up, although with somewhat more limited resources to operate on a modest scale that would enable it to deal with only the most urgent projects.

24. The Government of Haiti, in its reply to question 1, states that a Special Fund would play an extremely important part in the economic development of the country. It expresses approval of and quotes from Mr. Raymond Scheyven's statement to the Second Committee of the General Assembly at its tenth session[7/] in which he referred inter alia to the low taxable capacity and the modest savings in under-developed countries.

25. The Government of India, in its reply to question 1, points out that so far the United Nations and its specialized agencies have engaged in promoting a larger flow of international capital to under-developed countries, but that there is no international machinery for the provision of grants-in-aid, for the development of the social and economic framework, which are now only available on a bilateral or country-to-country basis. The Government of India is strongly in favour of United Nations initiative in this matter. Recalling Articles 55 and 56 of the United Nations Charter, the Government of India states that the United Nations has an important part to play in promoting the economic and social progress of all countries and in enabling them to take "joint and separate action" in this respect. It also points to a number of practical considerations which argue in favour of an initiative by the United Nations in this matter. It considers that assistance organized through the United Nations will be free from the kind of political objections from which bilateral aid sometimes suffers; as such it is likely to appeal to a larger number of countries and will promote a greater degree of goodwill and understanding among nations. The Government of India feels that it is also easier for a number of countries whose resources may be small but who are willing and able to assist other countries, to do so through

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7/ Document A/C.2/187 of 28 October 1955.

an international agency. Experience has shown that some of the under-developed countries themselves may be willing and able to assist other countries in some respects. Not all countries can command adequate organizational machinery for rendering assistance on a bilateral basis. There is thus need for a United Nations Fund for disbursing grants-in-aid, even while the existing arrangements for bilateral aid are continued.

26. The Government of Indonesia, in its reply to question 3, states that the comparatively modest initial operating fund of $250 million is out of proportion to the present aggregate needs of the less developed countries. However, the question regarding the exact size of the initial operating fund should be secondary to the urgency of the need for establishing the Special Fund.

27. The Government of Iran states, in its reply to question 1, that it has vast economic development programmes and would naturally welcome the establishment of the United Nations Special Fund.

28. The Government of the Republic of Korea, in its reply to question 1, gives its wholehearted support to the establishment of the Special Fund, and feels justified in expecting substantial assistance from it, once the Fund is established, inasmuch as Korea, aside from being economically under-developed had suffered tremendous damages during the war of 1950-53 and is now in desperate need of external capital both for reconstruction and rehabilitation and to achieve a self-sustaining economy.

29. The Government of Nepal, in its reply to question 8, expresses the opinion that the establishment of the Special Fund would provide an excellent opportunity for bringing all member nations into an increasingly active and responsible participation in United Nations affairs; the Fund would greatly accelerate the economic development of the under-developed countries as it would be free from any association with narrow national interests.

30. The Government of the Netherlands, in its reply to question 3, states that it has repeatedly expressed the view that the creation of a Special Fund should not be made to depend upon the savings resulting from world-wide internationally supervised disarmament. Efforts should be made to establish the Fund at an early date, even if some potential contributors should not consider themselves ready to

participate. It is preferred to start operations as early as possible, even if the Fund would then have to operate on a relatively small scale, rather than wait for a general willingness to participate.

31. The Governments of Ceylon, Chile, Ethiopia, India, Israel, the Netherlands and New Zealand disagree with the suggestion contained in the report of the Ad Hoc Group of Experts headed by Mr. Raymond Scheyven[8/] that the Special Fund might, perhaps, be established initially for a period of five years. Opposition to this proposal is based on the ground that such limitation would interferes with the Special Fund's activities and might even render any long-term activity impossible. The Government of India also observes that the idea of the Special Fund embodies some of the highest principles enshrined in the United Nations Charter; it would not be proper to begin to give concrete expression to this idea in a mood of hesitation and indecision. These governments would agree, however, to a provision that after a period of, for instance, five years, the method of work and the structure of the Special Fund would be reviewed in the light of the experiences gained, in order that modifications be made wherever necessary. The Government of Ecuador, on the other hand, concurs with the view that the Fund be established for an experimental period of five years (see paragraph 52 below).

8/ Special United Nations Fund for Economic Development, report prepared in pursuance of General Assembly resolution 822 (X), Official Records of the General Assembly, Tenth Session, Supplement No. 17 (A/2906). This report is referred to herein, as the "Report of the Ad Hoc Group of Experts".

B. Summary of replies to the questions enumerated in the annex to resolution 923 (X) of the General Assembly

1. Role of a Special Fund

Forty-one governments commented on this question.

Financing economic and social infrastructure

32. The following governments point out, with varying degrees of emphasis and explicitly or by implication, that the Special Fund should devote resources more especially to developing the infrastructure of under-developed countries: Afghanistan, Burma, Ceylon, Chile, China, Costa Rica, Cuba, Ecuador, Ethiopia, Finland, France,[9] Haiti, India, Indonesia, Israel, Japan, the Republic of Korea, Nepal, the Netherlands, Norway, Pakistan, Thailand, the Republic of Viet-Nam, and Yugoslavia. Two governments, those of Haiti and the Netherlands, endorse the definition of economic and social infrastructure proposed by the Ad Hoc Group of Experts headed by Mr. Raymond Scheyven, namely "the infrastructure on which the apparatus of production proper is based, or the set of basic facilities needed for effective production, such as a minimum of roads, power stations, schools, hospitals, housing and government buildings" which permits a smooth development of production and which allows private initiative to play its full part.[10]

33. The projects enumerated by governments in this connexion are as follows:

Educational facilities[11] (schools, technical training centres, university buildings, school equipment and even technical staff), health facilities[12] (health improvement, hospitals), transport and communications[13] (improvements and expansion of roads, specially the construction of feeder

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9/ Reply under "Views on the establishment of a Special Fund".

10/ Special United Nations Fund for Economic Development, document A/2906.

11/ Afghanistan, Ceylon, Chile, Costa Rica, Ethiopia, India, Israel, Nepal, Netherlands, Pakistan, Thailand, Yugoslavia.

12/ Afghanistan, Ceylon, Chile, Costa Rica, Finland, India, Israel, Nepal, Netherlands, Pakistan, Thailand, Yugoslavia.

13/ Ceylon, Chile, China, Ethiopia, India, Nepal, Netherlands, Pakistan, Thailand, Republic of Viet-Nam, Yugoslavia.

roads to open up the interior of countries, railways, inland waterways, maritime transport, harbour works), power development[14] (erection of power stations, rural electrification), agricultural and forest improvement[15] (land reclamation and improvement, agricultural and forest equipment, storage facilities, extension of markets, conservation and resettlement of landless farmers), irrigation and water conservation[16] (selected irrigation schemes linked with flood control, dams and reservoirs to conserve and distribute rainfalls), surveys of natural resources[17] (expanded and intensified surveys of land, forest and mineral resources and possible provision of risk capital in the wake of such surveys), industrial chemical laboratories for the purpose of chemical analysis of, and research into, local raw and manufactured produce,[18] development of communal services,[19] projects aimed at securing greater employment,[20] immigration for agricultural settlement[21] and government buildings and housing.[22]

34. The following governments go beyond mere enumeration of projects which they consider to be of an infrastructure nature and show by means of more detailed examples the kind of problems they are facing: the Government of India refers to its targets in its Second Five-Year Plan in the field of education; it states that despite maximum efforts to mobilize domestic resources, this plan would only ensure that by March 1961 some 60 per cent of the children in the age group 6-11 and 19 per cent of the children in the age group 11-14 would be attending school. The Government of Ethiopia similarly refers to a "crying need for more

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14/ Ethiopia, India, Nepal, Netherlands, Republic of Viet-Nam, Yugoslavia.

15/ Ceylon, Chile, Finland, India, Libya, Nepal, Pakistan, Thailand, Republic of Viet-Nam, Yugoslavia.

16/ Ceylon, China, Ethiopia, India, Israel, Libya, Nepal, Pakistan,

17/ Greece, Israel, Nepal.

18/ Ethiopia.

19/ Yugoslavia.

20/ Greece.

21/ Chile.

22/ Ceylon, Chile, India, Israel, Netherlands, Yugoslavia.

facilities for higher education and technical education". The Government of Chile states that its economic development programme includes numerous projects involving infrastructural investments which have had to be postponed because of insufficient resources. The Chilean Government is ready in due course to furnish information on such projects. The Government of Libya states that it has certain projects, especially for electric power plants and electric distribution systems for which the government would at once apply if the Special Fund should be established.

Inclusion of directly productive projects

35. Assistance in the financing of directly productive projects (other than some of the agricultural projects referred to in paragraph 33, above) is favoured by the following governments: the Government of Afghanistan considers that the Special Fund might finance by means of loans the foreign exchange requirements of productive short-term projects within its development plan; the Government of Ceylon considers that industries which are necessary for investment projects within the infrastructure, such as the manufacture of building materials, fertilizers and certain types of transport equipment should benefit from the assistance of the Special Fund; the Government of Israel suggests that the Fund might provide capital for projects which will yield full returns in foreign currency and be able to repay capital only over a longer period, referring specifically to the development of mineral resources; the Government of Italy also refers to possible assistance by the Fund to development schemes yielding profits only on a long-term basis; the Government of Nepal envisages possible provision of limited amounts of risk capital for pioneer development efforts in the wake of resources surveys; the Government of the Republic of Viet-Nam adds to its list of infrastructural projects deserving Fund assistance "industrialization" and "agricultural industries"; the Government of Yugoslavia suggests that infrastructure projects, interpreted more broadly would include certain basic projects in the fields of power and industry. The Government of Czechoslovakia[23/] refers to projects furthering the development of the key

23/ In reply to question 7.

sectors of the economy, i.e., industrialization and agriculture; the Government of Poland[23] states more generally that in its opinion the Fund should finance primarily projects of a productive nature which would strengthen the economy of the receiving country. It adds, however, that a tight division between productive and non-productive investments (or self-liquidating and non-self-liquidating projects) is not advisable.

Integration with economic development programmes

36. The role of the Special Fund in relation to over-all development programmes or in connexion with integrated economic development is stressed by the Governments of Afghanistan, Chile, India, Iran and Libya which mention specifically their current development plans and, in some cases, provide illustrations of the way in which the Special Fund could facilitate their implementation. India, for example, gives a detailed account of its Second Five-Year Plan and indicates the scope of assistance which could be forthcoming from the Special Fund. It goes on to state more generally that the role of the Special Fund should not be conceived essentially as one of financing certain types of projects; its essential aim should be to permit under-developed countries to undertake larger and more balanced programmes of development by rendering assistance of the kind not available at present.

37. The Governments of Ecuador and Ceylon stress the more general definition of the role of the Special Fund proposed by the Ad Hoc group of experts headed by Mr. Scheyven, namely, that "it would be the function of the Special Fund to finance any investment, whether economic or social, in under-developed countries, which was part of a coherent programme designed to attain the maximum rise in national income and which could not be fully financed by private capital, the International Bank or any other loan making institutions".[24] The Government of the Netherlands, on the other hand, while agreeing with the larger definition of the Special Fund's role, as quoted by the above, believes that financing beyond

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23/ In reply to question 7.

24/ Special United Nations Fund for Economic Development, document A/2906, paragraph 13, in fine.

the infrastructure would be rather ambitious; it points out that expectations may be raised that cannot be fulfilled within a measurable space of time and that it would seem desirable, therefore, that, at least during the first few years, the task of the Special Fund should be restricted to the infrastructure proper.

38. Integration of the Special Fund's assistance with existing development programmes is also explicitly favoured by the Governments of Colombia, Indonesia, Norway,[25] Saudi Arabia,[25] the United Kingdom and Yugoslavia. This approach is considered particularly desirable as it is said to permit greater flexibility in the Fund's operations. The Government of Indonesia expresses the view that the statute of the Special Fund should make it clear that its fundamental purpose is to assist in the implementation of over-all national development programmes, even although initially its activities may have to be limited to financing of the economic and social infrastructure. The Government of Yugoslavia stresses the fact that projects dealing with the economic and social infrastructure are on the whole specific for each country and for each national programme, and may sometimes vary in scope and in importance; therefore, the role of the Special Fund should not be confined in advance to a very limited or narrow field of action; on the contrary its operations should have sufficient flexibility to allow it to accomplish its purpose of co-operating actively in the work of economic development. The Government of Colombia believes that it would be much more useful to the countries concerned if the assistance of the Fund could be granted on a long-term basis so that it would be feasible to draw up long-range development programmes.

Self-liquidating and non-self-liquidating projects

39. The view of the Ad Hoc group of experts that assistance by the Fund should not be limited to non-self-liquidating projects[26] is supported expressly by the Governments of Ceylon, Colombia, Ecuador, and the Netherlands, and implicitly by those of Afghanistan, Israel, Italy and Yugoslavia. In the view of the Governmen

25/ In reply to question 7.

26/ Special United Nations Fund for Economic Development, document A/2906, paragraph 13.

of the Netherlands, the economic and social infrastructure may normally include self-liquidating projects such as power stations which cannot be financed by either private capital or commercial loans, owing to the subsequent transfer difficulties which such methods of financing may entail. A similar view is expressed by the Government of Ecuador. According to the Government of Colombia, the Fund should give priority to non-self-liquidating projects, but, if a project is self-liquidating but cannot be carried out for lack of domestic resources or international financial support, it should also receive assistance from the Fund if it is likely to be of benefit to the general economy of the country.

40. On the other hand, the Government of Pakistan emphasizes the role of the Special Fund as a means for financing non-self-liquidating projects related to basic development and observes that facilities for financing other sectors of economic development, if they are worthwhile and likely to be economically sound, are generally available. The Government of Brazil only mentions non-self-liquidating projects which would accelerate the development of the basic sectors of the economy. The Government of Costa Rica states that it would consider the Special Fund as a source for the financing of non-self-liquidating projects, thus freeing national savings for investment in directly productive projects. The Government of the Federal Republic of Germany is of the opinion that the Fund's resources should be used for non-self-liquidating projects necessary for healthy economic development.

41. In connexion with these distinctions, it is often stated that the Special Fund would only finance projects for which private capital or international financial resources, especially those of the International Bank, are not available. Such a view is expressed by the Governments of Chile, Colombia, Ecuador, Haiti, India, Indonesia, Israel, the Republic of Korea, the Netherlands, Norway and Pakistan, and is implied in the reply of the Government of Thailand.

Financing local costs and indirect foreign exchange requirements

42. The Governments of Ecuador, India, Nepal and Thailand suggest in their replies that the Special Fund should also finance local costs and indirect foreign exchange requirements of development projects. The Government of Ecuador notes that there is no mention in the report of the Ad Hoc group of experts of the type of project costs that the Special Fund would be entitled to finance. In the view of this Government, the Fund should be empowered to assist in financing not only foreign currency costs of projects but also local costs provided that the projects themselves and their integration with general development programmes offer a sufficient guarantee that the investment will not have undesirable effects. The Government of Thailand similarly refers to local costs and indirect foreign exchange requirements by including in the projects to be financed by the Special Fund those which are partly financed by the International Bank or other external sources; in such cases the Fund might be required to meet part of the costs which the Government cannot finance without causing serious inflation or deficit in the balance of payments. According to the Government of Nepal, the Special Fund might also be regarded as a possible source of financing commodity imports which could be converted into local currency or "counterpart" funds to be used in the financing of needed development programmes - in cases where adequate internal financing could not otherwise be provided; this, however, would require appropriate safeguards to prevent the Fund from becoming a "crutch" that might relieve participating governments from exerting their own best efforts for economic development. The reply of the Government of India similarly assumes that the Special Fund would satisfy indirect foreign exchange requirements when it states that the Fund should finance projects which do not always qualify for loans from existing organizations which employ the criteria of creditworthiness and which are intended mainly to finance the direct foreign exchange cost of individual projects.

Role of the Special Fund in facilitating migration

43. Three governments mention the possible role of the Special Fund with regard to migration: the Government of Chile mentions immigration for agricultural settlement among the projects which could be financed by the Special Fund; the Government of Italy recalls the suggestion made in the report of the Ad Hoc group of experts[27] to the effect that the Special Fund should help to increase the international mobility of labour; the Government of Italy goes on to suggest that the Special Fund could make a contribution towards the solution of one of Italy's economic problems by helping to create in other countries conditions favourable to the settlement of Italian emigrants. The Government of Israel[28] considers that the Special Fund might finance migration where such outlay would yield full return in benefits to the migrants and to the country receiving them.

Role of the Special Fund in co-ordinating aid programmes

44. The Governments of Cambodia and Canada suggest that the Special Fund might in addition to its financing activities also assist in co-ordinating aid programmes of other agencies. In the view of the Government of Cambodia it seems indispensable that the efforts of these various financing agencies should be concentrated. It seems equally necessary to introduce flexibility into these agencies' methods of operation and simplify their administration. The Government of Canada suggests specifically that the Special Fund, upon request, assist in various ways the arrangement of bilateral aid programmes, in particular by assisting countries which have bilateral aid programmes in selecting projects or administering their programmes. It further could also facilitate the co-ordination of aid programmes by collecting and disseminating information, in particular by publishing, annually, reports on the aid supplied by each of its members - whether that aid is supplied bilaterally, or through some other international organization, or through the Special Fund.

27/ Special United Nations Fund for Economic Development, document A/2906, page 3, footnote 7.

28/ In reply to question 4.

Indirect role of the Special Fund in expanding international trade

45. The Governments of Austria, Denmark, Japan and Poland emphasize the indirect beneficial effects which they expect from an expansion in international trade brought about by the Special Fund's assistance to under-developed countries. For the Government of Austria, the effects of operations of the proposed Special Fund with regard to the Austrian economy would depend on the size of Austrian contributions and upon the nature and form of the Fund's assistance to under-developed areas; the question whether the Austrian export industry would participate in such assistance would be of importance, for instance, if the members of the Special Fund could deliver investment goods to under-developed countries on a competitive basis. The Government of Denmark expects that an expansion of economic activity in the less developed areas initiated through the Special Fund would open up new possibilities of Danish trade with such areas. The Government of Japan believes that increased standards of living in the under-developed countries brought about by assistance from the Special Fund will have favourable effects on her econom via an expansion of trade with such areas. It considers it desirable, therefore, that assistance from the Special Fund should be directed to projects essential for international economic development rather than to the development of individual countries; during the initial period of the Fund's operations, joint international undertakings should be taken up as the principal projects of assistance. It is the expectation of the Government of Poland that the Special Fund would contribute to the development of international trade relations, and thus have some indirect influence on the realization of its own development plans.

2. Nature of contributions to the operational budget of the Special Fund

Forty governments commented on this question.

Renewable commitments or capital subscriptions

46. The following governments recommend or envisage that contributions to the Special Fund should take the form of renewable government commitments either annual or periodic: Burma, Chile, China, Colombia, Ecuador, Ethiopia, Haiti, India, Indonesia, Israel, the Republic of Korea, the Netherlands, Norway[29], Pakistan, Switzerland and Yugoslavia. At the same time, some of these governments, namely Chile, China, Colombia, Ecuador, India, the Netherlands and Switzerland, express concern about the uncertainty which would attach to such arrangements. For this reason, these governments (and also the governments of Ceylon, Cuba, Pakistan and New Zealand) suggest that contributing governments undertake to announce long-term pledges or to make long-term commitments. The Governments of China and Colombia endorse the suggestion made in the report of the Ad Hoc Group of Experts[30] that governments be persuaded to make long-term pledges to the Fund subject to their obtaining the necessary annual parliamentary approvals. The Government of Colombia recommends that government pledges should cover a period of not less than three years. The Government of Cuba similarly observes that in light of the experiences gathered in the Expanded Programme of Technical Assistance, it would be highly desirable if governments could make commitments for a period longer than a year, whenever legislation permits. According to the Government of Pakistan, contributions should be pledged for two years and at the end of this period, renewed for a period of two or more years according to the exigencies of the situation. In the view of the Government of Ethiopia, contributing States should give an undertaking to pay annual instalments or special instalments of the original sum at a rate to be agreed upon with the Fund, and should also, if possible, undertake to make future contributions toward the replenishment of the Fund when this becomes necessary. The Government of India is of the opinion that

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29/ In reply to question 3.

30/ Special United Nations Fund for Economic Development, document A/2906, paragraph 17.

while appropriations to the Fund may be on an annual basis, countries should give an indication of the order of their contributions over a period of say, five years. The Government of the Netherlands suggests that governments be invited to make long-term pledges from the start.

47. According to the Government of the Republic of Viet-Nam, the Special Fund should be a banking establishment consisting of the subscriptions of member States purchasing shares; the capital subscribed should be divided as follows: 1 per cent in US$; 19 per cent in the currency of member States, which may be lent only with the latter's consent; the unpaid 80 per cent should form a guarantee fund. Like the International Bank, the Special Fund would engage, according to this government, both in borrowing and lending operations. In the opinion of the Government of China, while funds for grants-in-aid must come exclusively from contributions (presumably of a periodic nature), funds to make cloans could be derived either from periodic contributions or from capital subscriptions or even from bond flotations in the open market. The Government of Greece similarly states that efforts should be made to increase the Fund's resources by having recourse to the money market. The Government of the Republic of Korea is in favour of a form of capital subscription combined with annual contributions.

48. As regards possible non-governmental sources of finances, the Government of Haiti observes that the possibility of private gifts or gifts by philanthropic institutions should not be excluded. The Government of Yugoslavia is also favourable to contributions from non-governmental organizations, with the proviso that such contributions should not carry the right of participation in decisions relating to the management of the Special Fund. The Government of Nepal suggests that contributions could be supplemented, in some instances, by arrangements for mutual assistance among countries receiving assistance.

Determination of contributions

49. The following governments are explicitly in favour of voluntary contributions: Austria, Burma, Canada, China, Colombia, Ecuador, Ethiopia, France, Haiti, India, Indonesia, Iran, Japan, New Zealand, Pakistan, Poland, Switzerland, the United Kingdom and Yugoslavia. On the other hand, the Government of Greece suggests that the capital of the Fund should be secured basically through a compulsory contribution of member States. The Governments of Ceylon and the Netherlands

observe that a system of contributions to be determined according to a fixed scale should be preferred to a system of voluntary contributions, while the Government of Israel also suggests that the framework of all contributions should be a system of fixed annual shares so as to ensure a large measure of stability in advanced budgeting. The Government of Chile similarly favours the establishment of a proper scale for contributions, while the Government of Denmark is of the opinion that the nucleus of the Special Fund should consist of contributions made according to a scale based on general principles. The Government of Thailand suggests that contributions to the Special Fund should be shared among the members on the basis of certain formulas. The Government of Canada considers that appropriate arrangements should be agreed upon among potential contributors for the initial provision of adequate operational funds and subsequent contributions should be voluntary. Concerning the additional contributions which may be forthcoming out of savings from disarmament[31] the Government of Yugoslavia believes that it will probably be necessary to modify their voluntary character and the conditions of their convertibility; this, however, will be decided by the General Council when the appropriate moment arrives. The Government of Israel suggests that, as savings are made from disarmament, these should automatically be accompanied by a contribution to the Fund, of, say, 20 per cent of each such saving; such contributions to be decreased annually on a scale of one percentage point per annum so that the contribution from each individual saving would come to an end after a period of twenty years.

50. Regarding the criteria which may be borne in mind by countries in deciding on their contribution, the following are suggested: economic strength, measured by such elements as national income, per capita income, population; ability to pay; normal budgetary expenditures, armament expenditure, foreign exchange resources, relative position in the world economy, contributions of other countries, contributions to the United Nations, the Expanded Programme of Technical Assistance, the specialized agencies, especially the International Bank and the International Monetary Fund, and savings resulting from a reduction in expenditure on armaments. The Government of Austria suggests that contributions should depend on the financial possibilities of the countries concerned. The Government of Yugoslavia

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31/ See summary of replies under question 3, paragraph 71.

specifically endorses the suggestions contained in the report of the Committee of Nine[32] (economic strength and resources, per capita national income, rate of investment and accumulated foreign reserves in relation to import needs). Other governments which suggest specific criteria are: Afghanistan, Burma, Cambodia, Ceylon, Chile, Colombia, Ecuador, Haiti, India, Indonesia, Nepal, Pakistan and Switzerland. The Government of Japan suggests the limitation that there should not be any quota share for each contributor based on its trade position, etc., as in the case of the International Bank or the International Monetary Fund. The Government of Ceylon observes that it would be an added drain on the resources of the under-developed countries to contribute capital on the same scale as was done in the case of the International Monetary Fund or the International Bank. According to the Government of Cambodia, the contribution of the under-developed countries should be merely of a token character.

51. Concerning the determination of such criteria, the Government of Yugoslavia suggests that they may be defined either in the present Ad Hoc Committee or at the Constituent Conference of the Special Fund. The Government of India proposes that certain general criteria of ability to pay should be laid down from time to time by the United Nations General Assembly and the Special Fund which may be borne in mind by countries in deciding on their contributions. The Government of Pakistan states that the members of the Fund should by convention agree to contribute in proportion to their contributions to the United Nations. The Government of Poland, for its part deems it unadvisable to establish stiff rules as regards the nature and the amount of contributions; this should be left to the decision of the governments concerned.

Form of contributions: convertibility into other currencies

52. The governments of Afghanistan, Burma, Chile, Costa Rica, Czechoslovakia, Ecuador, Ethiopia, Finland, France, India, Indonesia, Iran, Japan, Norway, the United Kingdom, and Yugoslavia are of the opinion that contributions should take the form of local currencies. The Government of Poland suggests that governments

32/ Report on a Special United Nations Fund for Economic Development, document E/2381, paragraphs 38, 39, 41 and 42.

should be allowed to make payments in convertible as well as inconvertible currencies. The Governments of Burma, Chile, Ecuador, Ethiopia, India, Indonesia, Japan, Norway, the United Kingdom, and Yugoslavia either explicitly or implicitly support the recommendations of the Committee of Nine[33/], that these local currencies may be convertible only to the extent that the contributing country permits. In the opinion of the Government of Ecuador, while in many cases it will be impossible to use fully all the Fund's holdings of inconvertible currencies, this is the only way, in view of the balance of payments position of many of the under-developed countries, in which it will be possible to secure the participation in the Fund of a sufficient number of governments; in any event, this arrangement could be limited at a later stage and a number of basic currencies in which contributions would be accepted could be designated. In this connexion, the Government of Ecuador concurs with the view expressed in the report of the Ad Hoc Group of Experts concerning the possibility of establishing the Special Fund for an experimental period of five years. In the view of the Government of Norway, since it must be assumed that many countries would be unable to contribute if the Fund had general authority to demand contributions to be converted into any given currency, it would be possible to accept the reservation that such conversion cannot take place without the contributors' prior consent; contributing countries should be under the obligation, however, to be as accommodating as possible so that contributions can be rationally used.

53. In the opinion of the Government of Yugoslavia the continuity of operations and flexibility in their financing will require that the Special Fund dispose of fairly large sums of convertible currencies; the present Ad Hoc Committee or the Constituent Assembly could therefore address an appeal to governments which have a strong foreign trade and foreign financial position, urging them to make convertible, either the total amount of their contribution or, at any rate, its largest part. In the view of the Yugoslav Government, it is desirable, in particular, that governments which are members of the European Payments Union, make their contributions transferable within the framework of the European Payments Union, both on the occasion of the use of the western European contributions and on the occasion of the repayment of loans to the western European countries. A more

33/ Ibidem, page 52, recommendation 9.

general statement along these last lines is made by the Government of the United Kingdom, noting that it is not intended that governments which already maintain convertible currencies, or even transferable currencies, and are in strong creditor positions should impose on the transfer or conversion of money subscribed to the Fund restrictions more severe than those applied to other current transactions.

54. The Government of Czechoslovakia is of the opinion that actual amounts and utilization of contributions in local currencies would be a matter to be determined by mutual agreement between the Special Fund and the contributing and recipient country. To avoid convertibility via third markets, the Government of India insists that the Fund should limit the use of the local currencies at its disposal to the purchase of goods and services directly required for assistance to other countries; purchase of goods and services for sale in third markets with a view to obtaining other currencies would violate the principle of contributions in local currencies unless the contributing country specifically approves such purchase. The same view is shared by the Government of Colombia, according to which a contribution should be used for the purchase of goods and services in the contributing countries. When local currencies are converted into other currencies, the Government of Japan observes that these shall not be utilized as a means of settlement of commodity trade nor for military purposes.

55. The Government of Canada states that all contributions should normally be made in convertible currencies. This view is shared by the Governments of the Republic of Korea (in order to facilitate the smooth operation of the Special Fund) and Thailand. The Government of Cuba suggests that even though some contributions may be made in non-convertible currencies, this should be limited to no more than 50 per cent of the contribution of any one member State. In the view of the Government of the Netherlands, in order to make the Special Fund as effective as possible, there should be as few restrictions as possible on the manner of spending the contributions; for that reason, this government considers a large degree of convertibility desirable.

56. Five other governments comment on the need for some convertibility. The Government of Colombia agrees with the recommendation of the Committee of Nine that contributions should be payable in local currency, however, this should not be an absolute rule as it might be desirable to decide that a certain percentage of contributions should be in hard currency, which would greatly facilitate the

working of the Fund. According to the Government of the Federal Republic of Germany, contributions should be only in convertible or restrictedly convertible currency (transferable account sterling or restrictedly convertible DM). In the opinion of the Government of Denmark, contributions of countries which are not in balance-of-payments difficulties should, as a general rule, be made convertible into other currencies. The Government of New Zealand, in general agreement with the recommendation providing for local currency contributions, feels, however, that the flexibility of the Special Fund's operations would be enhanced if some part of each contribution were made available automatically in convertible currencies. The Government of the Republic of Viet-Nam, which supports the idea that the Special Fund should be a banking institution, proposes a scale of capital subscriptions which would include a fixed percentage in convertible currencies.

Form of contributions: convertibility into needed commodities and services

57. The Government of the Netherlands, whose view it is that there should be as few restrictions as possible on the manner of spending contributions, believes that it would be wrong to restrict the use of contributions as to the purchase of specific goods and services. This is also the view of the Government of Burma which believes that contributions of this kind would create many difficulties in the way of effective operation of the Special Fund. According to the Government of Switzerland, participating countries should be able to make stipulations concerning the use of their contributions, particularly, with respect to the purchase of equipment produced by them or payment for services which they would supply. According to the Government of India, in the use of the local currency at the disposal of the Special Fund in a specific country, the operations of the Fund should be governed by the normal export regulations of the country concerned; apart from this proviso it would not be desirable to permit contributing countries to earmark the use of their contributions to the purchase of specific goods and services. In the view of the Government of Yugoslavia, it should be decided by agreement between the Special Fund and the participating country which specific categories of goods which are usually export items may be purchased for such currencies; the present Ad Hoc Committee of the General Assembly or else the Constituent Assembly could also decide that a defined part of the contributions could be used for the purchase of export surpluses.

Contributions in the form of goods and services

58. The governments of Austria, Brazil, Chile, Czechoslovakia, France, India, Indonesia, Israel, Italy, Japan and Poland envisage that contributions to the Special Fund be also made in the form of goods and services. For the Government of Austria, payment of contributions in convertible currencies would be particularly difficult and contributions in kind would be preferable. The Government of Brazil suggest that contributions be made both in currency and in industrial machinery and equipment. The Government of Czechoslovakia states that its contribution would be principally in the nature of equipment, machinery and materials, according to the requirments and wishes voiced by the recipient country concerned. The Government of Poland specifies that governments should be free to make contributions both in cash and kind. The Government of Israel suggests that its contributions might consist of commodities in which it has an excess capacity after meeting local requirements and export possibilities. In the view of the Government of Italy, contributions should be as large and varied as possible (whether cash, services, capital goods, technical assistance etc.) so that the assistance the Fund will give will meet multiple needs.

59. Despite their reservations concerning contributions in kind, the governments of Chile, France, India, Indonesia, Israel and Japan would agree to the principle that such contributions be permitted in exceptional circumstances or within certain limits. The Government of Chile, for example, states that contributions in kind might be allowed, provided their amount represents a reasonable percentage of the total contribution. The Government of India similarly believes that the Fund should accept contributions in kind in exceptional circumstances only and that steps be taken to ensure that such contributions do not assume unreasonable proportions in relation to the total resources of the Fund. In the view of the Government of Japan, contributions in kind will be admitted if so desired by the contributor but it will have to be approved by the Executive Board which, when taking its decision, will take into account the international effects of such contributions. Similarly, the Government of Indonesia states that, in regard to contributions in kind, appropriate measures should be taken to ensure that no operations of the Fund involving these contributions will have unsettling effects on the prices of primary commodities. According to the Government of France contributions in goods and services could be admitted in certain cases, if they correspond to real needs

of the recipient countries and provided they do not interfere with normal commercial transactions. In the view of the Government of Israel, the types and quantities of contributed commodities would have to be limited where this supply to the Fund would constitute too heavy a drain by absorbing foreign exchange components or by displacing foreign exchange earnings; it may appear advisable for the Fund to accept from Israel, as well as from other countries, only such commodities as would be in direct demand for a Fund project in any of the participating countries, and not to engage in commercial transactions by selling goods on the world market in order to obtain the necessary funds for purchasing other materials to supply to a project.

60. The Governments of Burma, Cambodia, China, Colombia, Ethiopia, Norway and the United Kingdom oppose contributions in kind. The reasons adduced are that such contributions would render the administration of the Special Fund very difficult (Burma, Colombia, Ethiopia), that they would place it in a delicate political situation (Norway) and that from an economic point of view, under-developed countries should be given the opportunity to buy wherever possible the most efficient machinery and the equipment best suited to their specific purposes (China). According to the Government of Cambodia, experience has shown that the actual yield of contributions in kind is generally poor, since the contributing States often tended to overvalue them and are tempted to use them as a means of disposing of various surpluses. The Cambodian Government also observes that contributions in the form of expert assistance should be expressly excluded; such assistance should continue to be the exclusive function of bodies within the United Nations orbit such as the Technical Assistance Administration, WHO, FAO, UNESCO and ILO.

61. As regards contributions in the form of surplus commodities the Governments of Ceylon and of the Netherlands point to the considerable discrepancy, both in quality and in quantity which often exists between the supply of the countries which have surpluses available, and the demand of countries in need of assistance. The possibility of the market being disturbed by an excessive supply of surplus commodities by the Special Fund and the resistance which such an event might arouse are also pointed out by these governments. Therefore, the Netherlands Government is of the opinion that only in exceptional circumstances should surplus commodities be accepted as a contribution and that the proportion of such contributions should be limited as compared to the total resources.

3. Initial sum to be collected before the Special Fund should start its operations

Forty governments commented on this question.

Initial minimum sum

62. The governments of Afghanistan, Austria, Burma, Chile, Ceylon, Czechoslovakia, Ecuador, Ethiopia, the Federal Republic of Germany, Haiti, India, Iran, Israel, Japan, the Republic of Korea, the Netherlands, Saudi Arabia and Switzerland consider that while the initial sum of $250 million envisaged in the report of the Committee of Nine[34] would be desirable - or even necessary- the Special Fund could be established and start operations with less than this sum, as has been suggested by the Ad Hoc Group of Experts.[35]

The governments of Chile, Ecuador, Ethiopia, the Federal Republic of Germany, Iran, Japan and Switzerland express this view in general terms without indicating the lesser sum which they would envisage. The governments of the Netherlands and of Saudi Arabia believe that the Fund should or could start operations with one fourth or one third of the proposed $250 million; the governments of Afghanistan, Austria and Israel $150 million; ranges from $100 million to $150 million and $200 million to $250 million are indicated by the governments of Ceylon and Burma and the Republic of Korea respectively. The Government of Haiti indicates also that contributions during the first year would probably not need to total more than $200 million.[36] The Government of the Netherlands

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34/ Report on a Special United Nations Fund for Economic Development, document E/2381, p.52, recommendation No. 6

35/ Special United Nations Fund for Economic Development, document A/2906, paragraph 27.

36/ The Government of Haiti makes a distinction between establishment and administrative costs and the operational budget: if "initial sum" is intended to mean the capital set aside to meet the initial establishment costs and the administrative expenses for the first two or three years, it is probable, on the basis of relevant comparisons with the International Bank or the International Monetary Fund, that five million dollars would be amply sufficient; after that period the Fund's administrative expenses would be covered by the interest and the commissions collected on its operations. With regard to the annual contributions for operational purposes, contributions during the first year would probably not need to total more than $200 million according to this Government, since the Fund would probably not be in a position to undertake extensive financing operations during the first year; if it is assumed that the United States contribution would be about one third of the total, the utilizable portion of this sum would probably not be more than $100 million, the remainder consisting of various local currencies which would not be convertible or could not be utilized to pay for the operations to be carried out.

draws attention to the fact, already emphasized by the Ad Hoc Group of Experts, that capital investments in the under-developed countries must necessarily be slow in the initial phase. This Government therefore believes that the Special Fund should be in a position to begin operations on an initial amount of $62.5 million dollars, i.e. one quarter of $250 million, as recommended by the Committee of Nine.37/

63. The governments of Ecuador and Japan which believe that the Special Fund would not have to wait for the collection of the $250 million emphasize the fact that if established on a more modest scale, the Fund would have to deal only with the most urgent needs or with some important projects. The Government of Ethiopia considers that it would suffice if a firm undertaking were given by the contributing governments to pay the money by instalments or as may be otherwise agreed, without waiting for the whole sum to be collected; operations could begin as soon as a specified amount, in the required currencies, to be determined by the Executive Council, is collected.

64. Another group of governments - China, Colombia, Denmark, France and Pakistan - agree with the initial amount of $250 million suggested by the Committee of Nine, while Costa Rica, Cuba, Norway, Thailand, the United Kingdom and Yugoslavia insist on it as a minimum. The Government of Canada considers that something like $250 million, mostly in convertible currencies, should be an immediate prospect before an effective fund of the type now under consideration should be set up. The Government of Norway envisages that this sum should be pledged for the first two years, while in the view of the Government of Thailand, this sum would cover only the first year. The Government of China, noting the opinion of the Ad Hoc Group of Experts that a smaller sum would suffice, is of the opinion that prudence requires that the larger sum be collected before the Special Fund starts to operate. The Government of the United Kingdom states that it would not be desirable for the Fund to begin operations until it were assured of substantial resources, of not less than $250 million.

37/ Report on a Special United Nations Fund for Economic Development, document E/2381, page 52, recommendation 6.

65. The following governments indicate higher sums for the initial capital or operating fund: the Government of Brazil believes that, in order to give effective assistance to the under-developed countries, the initial sum should be at least $250 million in currency, plus the same amount in industrial machinery and equipment. In the view of the Government of Cambodia, the Fund might reasonably begin to operate with a capital of the order of $500 million, while the Government of Greece mentions $300 million. The Government of Nepal indicates that an initial sum of one billion to two billion dollars would be highly desirable but does not believe that a commencement of operations should be postponed for want of ideally adequate resources. The Government of the Republic of Viet-Nam, which envisages capital subscriptions by member States, suggests that the initial capital should be in the order of one billion dollars.

66. The governments of Cambodia, China, Cuba, Ethiopia, Italy and Switzerland observe that in view of the lack of an adequate basis for ascertaining the requirements of the Special Fund, it is difficult to submit precise estimates;[38/] the requirements of the Special Fund will be known only once the project is in operation. In the view of the Government of Italy, a definite opinion is the more difficult, since the capital of the Fund should be such as to allow for simultaneous intervention in several under-developed areas, in a sufficiently large and rational measure to prove the Fund's concrete effectiveness within the limits of the experimental period, which is foreseen as of five years.

67. The governments of Finland, Indonesia, Italy, New Zealand and Poland do not specify any precise amount as the minimum required before the Special Fund begins its operations. The Government of New Zealand believes that, before the Fund is established, there should be an assurance that there would eventually be sufficient resources at its disposal to enable the Fund to play an effective part in assisting the development of under-developed countries. The Government of Finland is of the opinion that the Special Fund should start its activities as soon as the collected sum is deemed operational.

38/ One Government - Austria - states that it would like to obtain more details with regard to the amount of an eventual Austrian contribution and whether later additional obligations would have to be taken into account.

68. The governments of Indonesia and Poland consider that the question of the exact initial amount should be secondary to the need for setting up the Special Fund at an early date. The Government of Indonesia considers the comparatively modest initial operational fund of $250 million as proposed by the Committee of Nine to be out of proportion to the present aggregate needs of the less-developed countries; however, the question regarding the exact initial amount should be secondary to the urgency of the need for setting up the Special Fund. The Government of Nepal does not believe that the commencement of operations should be postponed for want of ideally adequate resources. This Government stresses the fact, however, that a demonstration of effectiveness in using an attainable initial sum might be a necessary means towards a progressive building up of the Fund's resources.

Minimum of participating countries

69. The following governments also take position on the question of whether there should be a minimum number of participants and whether such participants should include the major industrialized countries: the Government of Ethiopia agrees with the number of thirty countries suggested by the Committee of Nine, while the Government of Pakistan considers that the minimum could be twenty or thereabout. In the view of the Government of the Republic of Korea, the Special Fund could begin to operate with a sum of between $200 and $250 million, provided that the moral and material support of the United States of America is secured. Similarly, the Government of Chile relies on the decisive participation of those great States which, because of their resources and size will be called upon to make the largest contributions, as the Fund will require ample resources in addition to its initial capital to enable it to fulfil its role; it is only the co-operation, through the Special Fund, of all the Members of the United Nations, especially those which are economically strong, which will make it possible to achieve higher standards of living in the under-developed countries. According to the Government of the Netherlands, the major contributors would be expected to join at a not too distant date. The Government of Poland is of the opinion that the Fund could start its operations even if at the beginning it has at its disposal

relatively small funds provided that there exists a favourable international situation reflected, inter alia, in the willingness of a large number of States to participate in the Fund's operations, including those States which bear particular responsibility for the maintenance of international peace and security. In addition, a few countries make similar comments in their views on the establishment of a Special Fund. In the view of the Government of Greece, the participation of the economically stronger countries, which are in a position to provide the major part of the necessary funds, must be considered as a condition of its establishment. The Government of the Federal Republic of Germany is of the opinion that the establishment of the proposed Fund should only be considered provided the participation of the most important world trading countries -- particularly the United States of America, the United Kingdom and France - is assured. The Government of Denmark states that as soon as the major industrialized countries have declared themselves ready to participate in the establishment of the Fund, the Danish Government would be willing to ask the Danish parliament for appropriation of a Danish contribution. The Government of the United Kingdom considers that the membership of the Special Fund should embrace the bulk of the members of the United Nations; it should include both the highly industrialized nations and those with less developed economies, and all should make a contribution.

Future contributions and resources

70. The Governments of Cambodia, China, Czechoslovakia, Denmark, France, Haiti, India, Israel, Nepal, the Netherlands, Norway, Poland, Thailand, and Yugoslavia emphasize the fact that regular replenishment or increase of the Fund's resources is a problem of at least the same order of importance, as that of the initial sum. The Government of Cambodia states that the suggested initial sum of $500 million should be increased later in the light of the experience acquired during the early stages. According to the Government of Haiti, subsequent contributions should be at least $500 million a year, of which only $250 million to $300 million would be utilizable since a substantial part of the contributions would be in non-utilizable local currencies. The Government of Thailand suggests additional yearly contributions of not less than $150 million for the next five years after the first. The Governments of Czechoslovakia, Norway, and Poland also emphasize the

importance of securing long-term support and regular replenishment of the Special Fund. Long-term support, in the view of the Government of Poland, apart from allowing for long-term planning of the Fund's operations would also facilitate an early start even with a relatively low initial capital. The Governments of France, India, and the Netherlands, on the other hand, consider that in the long run, even $250 million would be insufficient to satisfy the needs of under-developed countries and that a much greater amount will ultimately be needed. In the view of the Government of India, the Fund should strive to command much greater resources as it gathers experience and as its vital role in promoting development in under-developed countries is demonstrated by experience.

71. Additional resources should be forthcoming from an improvement in the international economic and political situation according to the Government of Yugoslavia, and from progress made in disarmament,[39] according to the Governments of Afghanistan, Colombia,[40] Czechoslovakia and Israel. In the view of the Government of Afghanistan, additional sums could be provided to the Special Fund when agreement is reached on the problem of world-wide disarmament or when new methods for the peaceful uses of atomic energy are discovered. According to the Government of Czechoslovakia, the initial minimum sum would be replenished progressively while the rate of increasing the volume of contributions would depend on the progress achieved in the field of disarmament and the prohibition of atomic and hydrogen weapons; the resources set free by disarmament should form a major part of the resources made available to the Fund. The Government of Israel, which considers that the initial subscription ought to be made independent of savings from disarmament, since the desire of developed countries to assist the under-developed countries should express itself without regard to political tensions, introduces two proposals: on the one hand, assessment of

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39/ In this connexion, a number of countries express the view that the establishment of the Special Fund should be independent of the achievement of internationally supervised disarmament. This point is discussed in Section A on the views of governments with regard to the establishment of a Special Fund.

40/ In reply to question 2.

contributions may well be tied in with armament expenditures;[41] on the other hand, as savings are made from disarmament, these should automatically be accompanied by a contribution to the Fund of, say, 20 per cent of each such saving; such contributions to be decreased annually on a scale of one percentage point per annum so that the contribution from each individual saving would come to an end after a period of twenty years. The Government of Yugoslavia[42] draws attention to the solemn commitment made by member States in General Assembly resolution 724 (VIII) to ask their people when sufficient progress has been made in internationally supervised world-wide disarmament to devote a portion of the savings achieved through such disarmament to an international fund, within the framework of the United Nations, to assist development and reconstruction in under-developed countries.

41/ See summary of replies to question 2, paragraph 49.

42/ In reply to question 2.

4. Grants-in-aid and loans, their terms and conditions

Forty-one governments commented on this question.

72. Replies as to whether the Special Fund should disburse its resources in the form of grants-in-aid and/or loans fall into four groups. In the first place, there are four Governments, namely Cuba, Haiti, Iran and the Republic of Viet-Nam, which believe that the Fund should extend only loans to the under-developed countries. The Governments of Burma, Cambodia, Canada, Ceylon, Chile, Ethiopia, the Federal Republic of Germany, India, Indonesia, the Republic of Korea, the Netherlands, and the United Kingdom fall into a second group, which is of the opinion that grants-in-aid should be the Fund's most important and usual method of operation. A third group includes the Governments of Brazil, Czechoslovakia, Ecuador, Finland, Greece, Italy, Pakistan, Poland, and Saudi Arabia, which recommend that the extension of loans should be the predominant method of operation and that grants be given only in certain circumstances. A fourth group of Governments - those of Afghanistan, Austria, China, Colombia, Costa Rica, Denmark, France, Israel, Japan, Libya, Nepal, New Zealand, Norway, Switzerland, Thailand, Yugoslavia - express the view that the Special Fund should be able to extend both grants-in-aid and loans, depending on the circumstances.

73. According to the Government of Denmark, in deciding whether and to what extent the Special Fund should give assistance in the form of grants, regard should be had to the amount of initial capital and of capital later made available to it. In the view of the Government of Japan, it may be necessary to establish a proper proportion between grants-in-aid and loans out of total disbursements for the purpose of mapping out annual programmes or long-term projects. The Government of Ecuador endorses the suggestion contained in the report of the Ad Hoc Group of Experts,[43/] that one might establish separate accounts for funds to be used in the form of loans on the one hand and for funds available for grants on the other hand, with some flexibility between the two to provide for exceptional cases; the initial fixed contributions - which according to the Government of Ecuador would be larger than any of the subsequent voluntary contributions - could be used exclusively for loans thus facilitating the replenishment of the Fund, while

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43/ Special United Nations Fund for Economic Development, document A/2906, paragraph 32 in fine.

voluntary periodical contributions would be used for grants-in-aid and for loans repayable in local currencies of which the Fund's holdings were excessive. The Government of Ecuador agrees with the view of the Ad Hoc Group of Experts that the establishment of a separate grants-in-aid fund and a separate loan fund would not appear to introduce insuperable administrative or structural complications.

Grants-in-aid

74. The Governments of Cambodia and the Netherlands favour grants-in-aid mainly because it is believed that they would better correspond to the needs of under-developed countries. In the view of the Government of Cambodia it can be categorically stated that there would be no reason for the Special Fund's existence unless it could extend grants-in-aid; the effect of confining its activities to lending operations would merely be to add still another "banking" organization for financing national development programmes to the numerous similar bodies already in existence or in course of being established. The Government of the Netherlands similarly believes that for the financing of their economic infrastructure, the under-developed countries need in the first place grants-in-aid serving to supplement other forms of financing. The Government of the Republic of Korea stresses a distinct advantage for grants-in-aid as compared with loans: administrative costs will be reduced as no negotiations concerning terms of repayment are required and no subsequent consultations or friction will arise. The Government of Ceylon, similarly believes that grants-in-aid will have distinct advantages such as speed in rendering help and easy administration of funds.

75. Regarding the determination of whether individual projects shall receive grants or loans, the Governments of Afghanistan, China, Ecuador, Israel, New Zealand and Thailand establish a distinction generally based on the self-liquidating or non self-liquidating nature of the projects. The Governments of Cambodia, Colombia, France, Japan and Nepal indicate that both the economic conditions of the particular country and the nature of the project itself shall be taken into consideration. According to the Governments of Israel and Thailand, grants-in-aid should be given only for social development projects where direct monetary returns cannot be expected and long-term low-interest loans where projects contemplated are self-liquidating.[44/] In the view of the Government

44/ The Government of Thailand suggests that the receiving country should normally be required to provide at least 25 per cent of the amount received as grant.

of Afghanistan the Special Fund should provide (a) grants-in-aid for public and social service projects, (b) loans at favourable conditions for long-term projects capable of yielding early results and (c) loans and grants-in-aid for projects such as roads, canals, dams, etc. The Government of Nepal draws attention to the fact that there are projects, especially in a newly developing country, which are important to economic growth but which may not meet the conditions it believes should be employed in order to qualify for a loan, (ability to repay, early and substantial returns); when such projects are judged to be sound, this Government believes that under suitable criteria grants-in-aid should be employed; to finance productive projects like power, irrigation and transport, grants-in-aid would be preferable in the under-developed countries, at least during the initial stage; on the other hand, concludes the Nepalese Government, long-term low-interest loans should be employed when (a) the country in question has clearly the ability to repay and (b) when the project receiving support is one which may reasonably be expected to yield an early and substantial return.

76. Those Governments which contend that grants-in-aid should be extended only in exceptional circumstances indicate the following cases where grants could be given when a country's inability to repay a loan granted initially on favourable terms has been demonstrated (Brazil); emergency cases such as natural disaster (Poland). The Government of Czechoslovakia recommends that careful consideration be given to the circumstances leading to the exceptional provision of grants-in-aid. The Government of Italy would limit grant assistance to the creation of corporate capital and the exploration of natural resources. Moreover, according to this Government, a quota would be assigned to grants not exceeding one-third of the Fund's capital; there might however be a provision whereby grants assigned will be autcmatically converted into loans if the operation will prove successful and/or the general economic conditions of the recipient country will at a given time warrant it.

Combination of grants and loans

77. In the report of the Ad Hoc Group of Experts,[45] as quoted by the Government of the Netherlands, it was suggested that a grant from the Special Fund could be

45/ Special United Nations Fund for Economic Development, document A/2906, paragraph 31.

combined with a loan from the International Bank or some other lending agency; thus a combination of a grant and a loan could produce the desired rate of interest for the loan-grant transaction as a whole. The Governments of Chile, Ethiopia, Finland, Israel and the Netherlands approve such combinations. In the view of the Ethiopian Government, grants-in-aid should be integrated with regular loans from the International Bank wherever possible. In the opinion of the Government of Israel, a grant from the Special Fund could supplement a loan from the International Bank under certain circumstances; the Bank may be able to lend capital funds at its usual terms if the risk is diminished in view of the Fund's grant. The Government of Denmark more generally states that the Fund, in its operations, should maintain close co-operation with the Bank. The Netherlands Government believes that combinations of grants and loans are in themselves logical and correct. Nevertheless, according to this Government, the result must never be that the Fund commits itself to match so many International Bank loans with its grants as would compel the Fund to neglect its own task in fields in which the Bank is not in a position to make loans. The Netherlands Government remarks that the Special Fund's own task lies not only in the comparatively less developed, but also, if not particularly, in the least developed countries. In the opinion of the Government of Finland, if grants-in-aid are to be given, these ought to be combined as far as possible with loans of the Special Fund or other lending agencies. The Government of Czechoslovakia, for its part, feels that the linking of the loans of the International Bank with the grants made by the Special Fund would not lead to accelerating economic development, but would have a contrary effect, and might ultimately result in postponing planned programmes or in abandoning different programmes. Moreover, in the view of this Government, such a policy could only serve as a cover for the activities of the International Bank which it believes to be not always to the benefit of the economically under-developed countries. In the view of the Government of Yugoslavia [46] in certain though exceptional cases, the financing of the projects of development on the part of the Special Fund will take place parallel with financial operations through one or more channels of international

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46/ In reply to question 5.

financing; but the carrying out of such transactions is within the exclusive competence of governments.

Loans

78. In supporting the position that the Special Fund may extend loans, the Governments of China, Czechoslovakia, Ecuador, France, Libya, the Netherlands, New Zealand, Saudi Arabia and Yugoslavia observe that such form of activity would assure replenishment of the Fund's resources or at least reduce the need for new resources. Other reasons for preferring lending operations are that contributions to the Special Fund might be more easily obtained if the money to be lent was ultimately repayed - thus making it unnecessary to call for the continual replenishment of all the Fund's resources (Ecuador); the probability that recipient countries will seek to draw on the Fund for projects of reasonably high priority (Pakistan); the fact that grants-in-aid lower the prestige of receiving countries (Haiti, Iran). The Government of Haiti further observes that although the projects to be financed by the Special Fund would not produce a direct and immediate income covering interest charges and repayment of the debt, they should ultimately result in an increase in the national income and an improvement in the balance of payments of the receiving countries; if the projects submitted to the Special Fund will not ultimately have that effect, they do not deserve to be financed by the Fund at all. If, on the other hand, they hold out prospects of this constructive result, in the opinion of the Haitian Government, there is no reason why the beneficiary country should decline to repay the capital on a very long term basis (of say 25 to 100 years) and to pay a very moderate rate of interest; furthermore, the practice of making grants-in-aid is not calculated to stimulate national efforts to execute the projects on a sound economic basis. The Government of Cuba similarly states that the terms of loans would be sufficiently liberal to be capable of being fulfilled without great difficulty by countries in the process of development under well planned programmes.

Long-term, low-interest loans

79. Long-term low-interest loans are favoured explicitly by the Governments of Afghanistan, Brazil, Burma, Ceylon, Chile, Colombia, Costa Rica, Cuba, Czechoslovakia, Greece, Haiti, Iran, Indonesia, Italy, Japan, Libya, Nepal, Pakistan, Poland, Thailand, the Republic of Viet-Nam and Yugoslavia. The

Government of Colombia believes that, if loans are made at normal rates of interest, many countries may be unable to use the new source of financial assistance provided by the Special Fund as their economies are unable to absorb the capital obtained by means of loans on such terms. This Government adds that, in the case of the Special Fund, unlike other existing international agencies, participating States will not expect to recover their contributions but will be pursuing a policy of economic assistance to the under-developed countries; consequently, preference should be given to very low-interest loans and grants-in-aid. The Governments of Chile, Haiti and Yugoslavia do not believe that low-interest loans will lead to competition with the International Bank. The projects financed by the Bank and by the Special Fund are different in character (Ceylon and Chile). The Special Fund will not finance projects which can be financed from existing financial institutions (Yugoslavia); therefore, its loan activity would not constitute unfair competition for commercial enterprises. In the view of the Government of Haiti, since the loans granted by the Special Fund would never be issued on the public market there would be no danger that the special conditions of these loans would adversely affect the Bank's operations or would discourage ordinary lenders. In the opinion of the Government of Burma, low-interest rates for loans by the Special Fund are favoured for the reason that the projects which they are used to finance would not be quick maturing nor would they give high returns initially.

80. Three Governments, those of Ethiopia, Libya and Yugoslavia, take a favourable stand on interest-free loans or include the possibility of such loans. The Government of Libya indicates that it has under consideration certain projects of a self-liquidating character (e.g. electric power plants and distribution systems) for which a non-interest bearing loan for a twenty-year period would be a satisfactory method of financing. The Government of Ethiopia lists interest-free loans repayable in the original currency as the first form of loan-financing. The Government of Yugoslavia also includes in its proposed methods of disbursements medium-term as well as long-term loans free of interest.

81. The Governments of China, Ethiopia, India, Israel, the Netherlands, New Zealand, Norway and the United Kingdom oppose the principle of low-interest loans, while the Government of Denmark expresses the view that whether, and to

what extent, the Fund should extend loans, which in some way or other would deviate from normal commercial lending terms, should depend on the experiences gathered in the course of the Fund's operations. In the opinion of the Government of the United Kingdom, loans should be at the rate of interest and for periods which would apply to comparable International Bank loans; any departure from generally accepted interest rates and periods of repayment would involve difficulties in determination of variations from the norm, variations which could not be justified by reference to any firm principle. The Government of the Netherlands similarly holds the view that the Special Fund should not make loans free of interest or at a level of interest which in view of all relevant circumstances must be considered undesirable or unwarranted; this is based on the belief that on no account must a method of financing which is not a grant lose the character of a loan. In the opinion of the Government of India, since loans are to be extended which will be repayable in local currencies and for fairly long periods, it is not necessary to offer concessional rates of interest. Longer-term loans are also favoured by the Government of New Zealand, at rates comparable to those offered by the International Bank, and by the Government of Israel, at normal rates of interest.

82. The Government of Ethiopia agrees that in addition to interest-free loans, repayable in the original currency, the Special Fund should also extend local currency loans at normal rates of interest; these should be co-ordinated to the fullest extent possible with the rates of interest and scale of amortization of the International Bank prevailing at the time when the loan is made. For the reasons given by the President of the International Bank[47], the Ethiopian Government supports the principle that loans at low rates of interest, i.e., rates lower than those which would be charged by the Bank or other lenders, should not be granted. The Government of China emphasizes the specific argument that if the Special Fund makes only low-interest loans, it can only operate within the limits allowed by its own resources; if, on the contrary, it is allowed to charge a higher, that is the market or "normal", rate of interest, then it can augment its own resources by borrowing in the open market and re-lend the proceeds. According to this Government, for a country in the process of development, the availability of funds is often a more important consideration than the rate of

47/ Letter addressed to Mr. Raymond Scheyven, reproduced in document A/C.2/187 of 28 October 1955, pages 5 to 7.

interest, especially when that rate does not rise above the market level; it is therefore the opinion of the Chinese Government that the Special Fund should refrain from committing itself to charging only low rates of interest.

83. With respect to the terms of loans, the Governments of Cambodia, Ecuador, Ethiopia, France, Israel, the Netherlands and Yugoslavia stress the need for latitude in determining terms. According to the Governments of Cambodia, Ecuador, Ethiopia and Yugoslavia, the terms and conditions on which loans would be granted would be determined with regard to the particular features of each project - technical amortization, degree of profitability - as well as the general economic conditions prevailing in the applicant country (Yugoslavia).

84. In the view of the Government of the Netherlands, an important requirement is that, once conditions of a loan have been laid down, they should not be altered subsequently. This latter view is shared by the Governments of Czechoslovakia, Ecuador, Ethiopia, Pakistan and the United Kingdom. The Government of Czechoslovakia adds, however, that provision should be made for the possibility of deferring repayments in cases where an under-developed country finds itself in economic difficulties. The Government of Ethiopia also favours a provision that borrowing States may have the right to apply to the General Council of the Fund for revision of the terms, should unforeseen conditions arise which make the terms of a loan too onerous. The Government of New Zealand similarly agrees that once the terms of any loan have been agreed, they should not be subject to re-negotiation; an exception may be made, however, in the case of loans where repayment is to be made in other than local currencies. According to this Government, it should be permissible for the Special Fund to agree, where balance of payments difficulties are being encountered by the borrowing country, that local currency repayment be made. On the other hand, the Government of Burma believes that maximum flexibility in the condition of loans is required, as recommended by the Committee of Nine.

85. Details concerning the envisaged rates of interest and terms of repayment, are given by a few governments: according to the Government of the Republic of Viet-Nam rates of interest should be not more than 2 per cent, according to the Government of Thailand, not more than 3 per cent. The Government of Czechoslovakia indicates

rates up to 2 1/2 per cent, while according to the Government of Haiti interest might be charged only after a few years at progressively increasing rates, e.g., from 1/2 per cent to 2 per cent. The terms of repayment could be of twenty years or more (Thailand), from 20 years to 50 years - beginning from the fifth year (the Republic of Viet-Nam), from 25 to 30 years (Iran) and from 25 to 100 years (Haiti).

Loans repayable in local currency

86. The Governments of Burma, Chile, China, Colombia, Cuba, Czechoslovakia, Ecuador, Ethiopia, Haiti, India, Indonesia, Israel, Italy, Japan, the Netherlands New Zealand, Norway and Pakistan take a favourable attitude toward the proposal of the Ad Hoc Group of Experts for this novel form of financing.[48/] In the comments of the Government of Ethiopia, this is subject to the proviso that such loans are granted at the same conditions as those of the International Bank. The Governments of Haiti, the Netherlands and Pakistan would agree to loans repayable in local currencies only in special circumstances. The Government of Pakistan suggests that the balance accumulated in local currencies on account of repayment by loans and interest should be convertible after an agreed period, which should be of reasonable length. On the other hand, the Government of Thailand favours payments both of interest and principal in the currency borrowed.

87. Among the advantages of loans repayable in local currency, the Government of Colombia emphasizes the fact that repayment in such currency would not have the disadvantage of increasing a country's external debt and imposing a further strain on its balance of payments. Local currency loans undoubtedly serve, in this Government's opinion, as an incentive to savings and by creating the general social and economic capital essential for economic development, such loans will bring about an improvement in the foreign credit position of under-developed countries. The Government of India is opposed to the Fund's making loans repayable in foreign currencies, even if they are made at concessional rates, because such loans impair the creditworthiness of the countries receiving them and entail an unnecessary overlapping of functions with the International Bank.

48/ Special United Nations Fund for Economic Development, document A/2906, paragraph 32.

On the other hand, the Indian Government is not opposed to loans repayable in local currency especially when the countries concerned favour assistance in this form. Local currency loans should be given for fairly long periods; but, in the opinion of this Government, it is not necessary to offer concessional rates of interest in the case of such loans. The Indian Government adds that the proceeds of such loans (by way of amortization and interest charges) may be re-lent, or given as grants to the countries concerned, except to the extent that the repaying countries agree to their use for assisting other countries; in case these proceeds are utilized for assistance to other countries, the conditions regarding convertibility, etc., must be the same as in the case of the contributions of members to the Special Fund. In the view of the Government of Israel, where projects will be self-liquidating in domestic currencies only, a loan by the Fund repayable in domestic currency would appear to be adequate for the purpose. The Government of Burma is impressed by the suggestion of the Ad Hoc Group of Experts[49/] as to the possibility of inviting supplementary contributions from assisted governments in local currency in lieu of repayment of the loans in local currency.

88. According to the Government of China there is an economic argument against loans repayable in local currencies, namely the possibility that the funds so loaned become frozen in the first borrowing country and become unavailable to other under-developed countries; to ensure that the capital of the Special Fund can be used for development purposes in one under-developed country after another, it has to be preserved as far as possible in the form of a revolving fund in convertible currencies. This objective can only be attained, according to this Government, if loans by the Special Fund are repaid in convertible currencies; nevertheless, loans repayable in local currencies could be applied under certain circumstances, namely, when a project is self-liquidating in a financial sense without directly or indirectly being productive of an adequate amount of foreign exchange. Furthermore, in the view of the Chinese Government, the borrowing country may suffer from acute balance of payments difficulties; in such a case, the borrowing country should be permitted the option either to pay the combined

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49/ Ibidem, paragraph 33.

amount of amortization and interest in local currencies, or to pay the interest alone in local currencies, or to pay the interest and a percentage of the amortizations in local currencies.

89. The Government of Czechoslovakia makes the suggestion that in addition to repayment in local currencies, the negotiation of loans should include long-term plans of repayment in the form of products of the repaying country, thereby furthering the development of international trade.[50]

Other possible methods of disbursement

90. The Government of the Republic of Viet-Nam[51] states that the Special Fund would also guarantee loans made by individuals, governments or other international financing agencies. The Government of Ecuador draws particular attention to the possible methods of operation outlined in paragraph 37 sub (b) and (d) of the Ad Hoc Group of Experts' report[52] which it finds thought-provoking and interesting; these are the utilization of resources of the Special Fund for facilitating and extending export credit guarantees and the use of the Fund's resources as a guarantee fund in the issue of domestic public securities within under-developed countries for the financing of development programmes or projects. The Government of Norway, on the other hand, considers the forms of assistance indicated in paragraph 37 of the Experts' report to be less appropriate, in particular, proposal (a) "the use of resources of the Special Fund for subsidizing rates of interest payable by under-developed countries in International Bank loans, or loans from other sources of finance". It would be far better, in the view of this Government, to ease the interest burden for the countries by combining loans with grants from the Special Fund in the manner described in paragraph 31 of the Experts' report. Concerning proposal (b) "the utilization of resources of the Special Fund for facilitating and extending export credit guarantees", this being an artificial

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50/ This suggestion is repeated in the reply to question 8.

51/ In reply to question 1.

52/ Special United Nations Fund for Economic Development, document A/2906, page 11.

measure of aid for exports, the Norwegian Government believes that such arrangements may also entail less desirable long-term effects; if the Special Fund is to be used for such purposes, it should be so used on condition that the credit guarantee is limited to a reasonable amount.

Other suggestions

91. Another suggestion relating to the utilization of the Fund's resources by receiving countries is that of the Government of Brazil[53/] under which the receiving country might be placed under the obligation of using the funds granted to it within a specified period, under penalty of losing the grant, so as to avoid dislocation in the utilization of the Fund's resources.

53/ In reply to question 8.

5. Relationships between the Special Fund, the United Nations and the specialized agencies 54/

92. Thirty-nine Governments commented on this question.

In the views of the Governments of Canada, France, India, Indonesia, Pakistan and the Republic of Viet-Nam the proposed Special Fund, when established, should be set up as a specialized agency, i.e. as an independent agency linked to the United Nations in accordance with articles 57 and 63 of the Charter. The Government of the Republic of Viet-Nam adds that the Fund should be on the same footing as the other specialized agencies, such as the FAO, ILO, IBRD, UNESCO, etc. Other Governments, namely Afghanistan, Chile, Czechoslovakia, New Zealand and Poland speak of an independent or autonomous administration, organ, organization or body within the framework of the United Nations or closely linked with it. Still other Governments - Brazil, Haiti, the Netherlands and Saudi Arabia - when speaking of the degree of co-operation with existing organizations, mention that the Special Fund should be independent or that final decisions regarding its policy and operations should be taken by an independent body. The Government of Yugoslavia refers to the reason indicated by the Committee of Nine 55/ why the Special Fund should be given the status of a separate special institution, namely the desirability of universal participation in it; the use of governing bodies of the International Bank or the International Monetary Fund, or of the General Assembly or Economic and Social Council would fail to satisfy this vital requirement. Other Governments which indicate that the Fund should have an independent status within the framework of the United Nations are Austria, Ceylon, Italy, Switzerland and Thailand. The Governments of Burma, China, Colombia, Denmark, Ecuador, Ethiopia, Japan, the Republic of Korea, Norway and the United Kingdon refer to the recommendations of the Ad Hoc Group of Experts which envisages a separate administration within the framework of the United Nations. The Governments of Greece, Israel, Pakistan and Yugoslavia are of the opinion that the United Nations should exercise general supervision or direct control (Greece, Yugoslavia) over the activities of the

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54/ Formal relationships which are reflected in the structure of the Special Fund (representation of other bodies in the Fund's organs, etc.) or in the procedures for the appraisal of projects are summarized in sections 6 and 7 below.

55/ Report on a Special United Nations Fund for Economic Development, document E/2381, paragraph 152.

Special Fund. Such supervision would be exercised through the Economic and Social Council (Japan, Pakistan). According to the Government of Italy, the task of directing the Fund's policy should be entrusted to the Economic and Social Council. According to the Government of Yugoslavia, the competence of the General Assembly, the Economic and Social Council and other organs of the United Nations with respect to the Special Fund would be precisely defined in the Statute of the Fund which would be confirmed by the General Assembly; the Special Fund should submit an annual report on its activities to the Economic and Social Council which would forward it, together with its own observations, to the General Assembly for further consideration. In the view of the Government of Norway, the Fund should be part of the United Nations machinery for assistance to under-developed countries.

The Special Fund as part of the United Nations Secretariat

93. Two Governments, those of France and Israel, suggest that the proposed Special Fund could be part of the Secretariat of the United Nations, at least in the beginning (France). According to the French Government the Fund could at first be administered by the United Nations; however, should the Fund's resources increase - and with them its role and importance - it would be necessary to envisage the establishment of a specialized agency, independent of the United Nations, with its own deliberative and administrative organs, but linked to the United Nations under a specialized agency agreement. According to the Government of Israel, in order to avoid the undesirable extension of international bureaucracy and to make the best possible use of existing resources, it would appear desirable to establish the Fund as a special unit within the United Nations Secretariat; a large degree of independence of operations and of economic and financial thinking would, however, have to be safeguarded. In the view of the Government of Israel, the Technical Assistance Administration or the Regional Economic Commissions are the best examples for the sort of relationship to the United Nations Secretariat which is envisaged.

Relationships with other agencies or administrations

94. Close relationship, co-operation or liaison with United Nations administrations and the specialized agencies is specifically recommended by the following

Governments:[56] Afghanistan, Austria, Burma, Brazil, Cambodia, Canada, Ceylon, Chile, Colombia, Costa Rica, Czechoslovakia, Denmark, Ecuador, Ethiopia, Finland, France, the Federal Republic of Germany, Greece, Haiti, India, Indonesia, Iran, Israel, Italy, Japan, the Republic of Korea, the Netherlands, New Zealand, Pakistan, Poland, Saudi Arabia, Switzerland, Thailand and the United Kingdom. Some of these Governments give particular reasons why close co-operation with other United Nations agencies is desirable. The Governments of Canada, Ceylon, Japan, Switzerland and Thailand make the general point that co-operation is necessary in order that the Fund's machinery may work without any duplication of the functions of existing organizations. In the view of the Government of Japan, this is of particular weight when the Special Fund asks for contributions from Governments who have already paid large contributions to the United Nations and its various agencies and their programmes. Other Governments stress the advantages which could be gained from proper co-ordination; first of all, fuller and better use of technical assistance could be made. The Government of Cambodia insists particularly on this point; in its view the Special Fund should act as an equipment fund to support the action taken by the specialized agencies. For example, according to this Government, if FAO technical assistance was requested for planning and establishing a stock-breeding centre, the Special Fund could finance the investments which would be needed to bring the centre into being; such joint action (technical assistance by a specialized agency, with parallel support in the form of the financial assistance necessary for the complete realization of the project) would be the more useful at the present time since there seems to be a tendency for some nations giving direct aid to make their financial assistance conditional upon provision of the corresponding technical assistance (a procedure which would in the long run make

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56/ Such co-ordination is also endorsed by those Governments which accept the formulae for co-ordination suggested by the Ad Hoc Group of Experts, especially the proposal for a Joint Committee composed of the Director-General of the Special Fund, the Secretary-General of the United Nations and the President of the International Bank (China and Norway). Other Governments recommend close co-operation with regard to the appraisal of projects (Republic of Viet-Nam and Yugoslavia) (see sections 6 and 7 below).

it very difficult for the under-developed countries to obtain technical assistance from the specialized agencies). The Governments of Chile, Israel, Italy and the Netherlands similarly insist on a strong link with technical assistance. The Government of Chile indicates that the work of technical assistance experts in some cases failed to produce the desired results because the measures proposed required preliminary infrastructure investments. The Government of Afghanistan observes that the Fund could learn about the financial needs of the development projects of the countries from the specialized agencies' experts, and provide financial assistance for such projects. In the view of the Government of Italy, the Fund should integrate the operations of the International Bank by granting long-term loans and the operations of the technical assistance authorities by providing further assistance in a more ample and concentrated measure in each specific area. The Government of Austria stresses the timing element of different forms of assistance; it might be possible, for instance, that assistance is rendered to an under-developed country by the Special Fund in the beginning in order to prepare successive help by the International Bank. A number of Governments - Afghanistan, Ceylon, Chile, Indonesia, Japan and the Netherlands - also point at the benefits which could be derived by taking advantage of the knowledge, information, experience and assistance of other bodies, or of pooling the experience of different international agencies (India).

95. The agencies and administrations with which Governments recommend co-operation, comprise the International Bank for Reconstruction and Development, the International Finance Corporation, the International Monetary Fund, the Technical Assistance Board, the United Nations Secretariat, its Technical Assistance Administration, the Regional Economic Commission, the Food and Agriculture Organization, the World Health Organization, the International Labour Organisation, the United Nations Educational, Scientific and Cultural Organization. All of the Governments listed in the preceding paragraph mention the specialized agencies in general as well as the following agencies or bodies in particular:

(a) the IBRD, IFC, and IMF

96. Particular mention of the need for co-operation with the International Bank is made by the Governments of Afghanistan, Austria, Canada, Chile, Czechoslovakia,

Denmark, Ecuador, Ethiopia, Finland, Haiti, India, Israel, Italy, the Republic of Korea, the Netherlands and the United Kingdom. The Government of Italy, as already mentioned, recommends integration of the Bank's activities by granting long-term loans.[57] According to the Government of Israel, the closest possible co-operation should be maintained with the technical services of the Bank; its knowledge of the economic structure of developing countries and its vast experience in evaluating economic and financial conditions should be drawn upon. Similarly, the Government of the Netherlands believes that relations with the International Bank should be such that the unique information gathered by the latter institution on the economy of the under-developed countries in general, and on the problems and the technique of financing in particular, can be fully drawn upon. The International Finance Corporation is mentioned by the Governments of Afghanistan, Austria and Italy, the International Monetary Fund by Austria, Chile, Haiti, India and the Republic of Korea.

(b) other specialized agencies

97. The Food and Agriculture Organization is mentioned by the Governments of Cambodia, Colombia, Czechoslovakia, Greece, Haiti, India, Israel and the Republic of Korea.[58] The example of joint action between the Special Fund and FAO given by the Government of Cambodia, has already been referred to above. The Government of Israel is of the opinion that the FAO, even more than other organizations, will have to play an important part of the Fund's operations since the development and modernization of the agricultural structure of under-developed countries may well be found to be one of the principal concerns of those responsible for making the best use of available financial resources. The World Health Organization is mentioned by the Governments of Colombia and Haiti; UNESCO, by the Governments of Haiti and Czechoslovakia; ILO, by Haiti and Italy. The Government of Italy

57/ See also Section 4, paragraph 77, "combination of loans and grants".

58/ In reply to question 8.

recommends collaboration with the ILO towards the solution of specific problems that cannot be undertaken by other institutions and organizations, such as, for instance: emigration, population shifts, tentative localization of industries, etc.

(c) the U.N. technical assistance authorities

98. As already indicated, a strong link with technical assistance is recommended by a number of Governments. Particular mention of the Technical Assistance Board or the Technical Assistance Administration is made by the Governments of Afghanistan, Austria, Cambodia, Canada, Chile, Colombia, Czechoslovakia, Denmark, Haiti, India, Israel, Italy, Japan, the Netherlands and the United Kingdon. The Government of Israel considers the TAB to be the body with whose operations the activities of the Special Fund should be most closely linked; the Expanded Programme of Technical Assistance is mainly concerned with giving expert advice to developing countries and it is therefore considered to be the natural complement to development investments or grants.

(d) the United Nations Secretariat and the Regional Economic Commissions

99. Relationship or co-operation with the United Nations Secretariat is referred to specifically by the Governments of France, India and Israel. To these one may also add the following Governments which recommend co-operation with the United Nations or the use by the Fund of the technical services of the United Nations: Brazil, Burma, Cambodia, Ceylon, Chile, China, Colombia, Czechoslovakia, Ecuador, Ethiopia, Haiti, Iran, Italy, Japan, the Netherlands, New Zealand, Pakistan, Poland, Switzerland, Thailand, the United Kingdon and Yugoslavia. The Government of Cuba recommends that the Special Fund should maintain relations with other international organizations exclusively through the Secretariat of the United Nations.

100. As regards the Regional Economic Commissions, the Government of Colombia suggests that in the case of regional projects the Special Fund would make use of the assistance and reports of the regional commissions concerned. The Government of Italy attributes to the regional commissions the same role as that suggested by the ILO, namely to assist in the solution of specific problems that cannot be undertaken by other organizations (see above, paragraph 6 in fine). The Government of Japan recommends that the Special Fund keep close contact with the regional commissions. These are also mentioned by the Governments of Burma, Chile and India.

Degree and forms of co-operation with other agencies

101. As regards the degree of relationship or co-ordination between the proposed Special Fund and the other agencies, the Government of Poland, for its part believes that none of the specialized agencies should occupy a privileged position vis-a-vis the Special Fund. In the view of the Government of Pakistan, the degree of co-operation with the specialized agencies should be the same as that which exists between the specialized agencies and the United Nations. According to the Government of Yugoslavia, the special character of the operations of the Fund excludes the possibility that the Fund could be linked with or even incorporated into one of the existing international financial institutions in any special organizational sense. Other Governments emphasize the necessity of maintaining the independent character of the Special Fund within arrangements for co-operation, as the Fund would have its own special functions which differ from those of any other organization (Brazil, Chile, Czechoslovakia, Ecuador, Haiti, the Netherlands). In the view of these Governments the Fund should not be subordinated to any of the agencies with which it is to co-operate. According to the Government of the Netherlands, the relationships with the technical assistance programme, the specialized agencies, and the International Bank, must not prevent the Special Fund from leading an independent existence; the Fund will be responsible for its own activities. It will have, according to this Government, a function of its own, taking into consideration all the interests concerned; the International Bank observes primarily commercial standards; the Special Fund will have to take political and psychological factors into account, which do not necessarily influence the activities of other organizations. Although there should be close co-operation between the Special Fund and the International Bank, the Netherlands Government suggests that care should be taken to avoid the exertion of a dominating influence by the Bank on the policy to be pursued by the Special Fund; the decision on the implementation of financial assistance projects will naturally have to rest with the policy-making body of the Fund. The Government of Czechoslovakia believes that while the Special Fund will operate in close contact with the Technical Assistance Board and with specialized agencies, it should in no way be bound or subordinate to these institutions; this applies in particular to the International Bank which is based on entirely different principles and whose

operations are not infrequently governed by motives of profit. The Government of Burma doubts the wisdom of tying up the Special Fund to the International Bank too closely, since the criteria the Bank uses in selecting projects for financing would seem to be somewhat different; in fact, it is this difference which has given rise, at least in part, to the demand for the establishment of the Special Fund. For the Government of Israel, which favours establishment of the Special Fund as a separate unit of the United Nations Secretariat, it remains imperative, however, to safeguard a large independence of operations and of both economic and financial thinking. This can only be done if the Special Fund has an independent group of highly qualified officials of its own; with regard to the International Bank, in view of the fact that the standards for loans observed by the Bank are based on strictly commercial considerations, the Government of Israel feels that stress should be laid upon full independence of decisions from direct influence of this body. While making use of the facilities available within the United Nations Secretariat, the International Bank and the specialized agencies, it is the opinion of this Government that the Fund should be entitled to draw its own conclusions, to initiate its own operations and to interpret in its own fashion the advice obtainable from other sources. The Government of Norway[59] adds, to its endorsement of co-operation, that with regard to the role of the International Bank, it should be borne in mind that there are certain countries which are not members of the Bank, but which might be willing to support the Fund; in deference to these countries, thought should be given to whether it would be advisable for the Bank to play such a large part in the Fund's operations as is indicated in the report to the Ad Hoc Group of Experts.

102. The forms of co-operation mentioned by Governments are: exchange of information, functional co-ordination through representation of other agencies in organs of the Special Fund[60] (in this respect, the Government of Ecuador considers the suggestions of the Ad Hoc Group of Experts as sufficient, while the Government of Ethiopia considers them to be admirably constructed), drawing upon the experience and technical services of other agencies and co-operation in the appraisal of projects.

59/ In reply to question 7.

60/ See Section 6 below.

In the view of the Government of Israel, expert advice should be obtained from those specialized agencies which are implementing technical assistance projects in countries asking for assistance from the Special Fund; experts of such agencies may be found to be the most appropriate agents for assisting in the implementation of projects under the terms of reference of the Special Fund. The Governments of China, Brazil, Haiti, India, Israel, the Netherlands and Saudi Arabia specifically state that the Special Fund should draw on the technical services and staff of the United Nations and the specialized agencies, or should co-operate technically with them. According to the Government of the Netherlands, frequent appeals will have to be made to the International Bank, both concerning the decisions regarding a particular project and in relation to administration and execution; with respect to the administration and execution of projects, the Special Fund should be in a position to issue directives to the international organizations involved. The Government of France suggests that the Fund should be able to conclude co-operative agreements with the specialized agencies and competent organizations for the provision of aid and technical assistance to under-developed countries. In the view of the Government of Colombia, the specialized agencies should be consulted and should take an active part in the discussion and examinations of projects in fields with which they are concerned. The Government of Italy proposes that a system should be set up to provide each institution with information on the activities of the others; availability of pre-existing studies, projects, etc. would help avoiding dispersion of unbalance in the distribution of the means of assistance.

Other suggestions

103. With a view to facilitating co-operation with the United Nations bodies, the Governments of Norway and the Netherlands recommend that the Special Fund's Administration be situated in New York.

6. Structure of the Special Fund

Forty Governments commented on this question.

General principles

104. Relatively few Governments comment regarding general principles which might govern the structure and administration of the proposed Special Fund. Most Governments address themselves rather to specific matters relating to the structure of the Fund, as summarized below. Those Governments which deal with general principles stress three, namely: the principle of universality and equality of member nations, avoidance of a new bureaucracy,[61] and flexibility in administration. The principle of universality and of equal representation of member nations[62] is mentioned by the Governments of Czechoslovakia, the Republic of Korea and Chile (equal representation). The Czechoslovak Government holds that the Special Fund, its organization and structure, should in every respect be governed by the principles of the United Nations, i.e., first and foremost, by the principle of universality and of the absolute equality of all countries, large or small, irrespective of the amount of their contribution, of whether they are recipients or contributors. In the view of this Government, these principles should apply in all the organs of the Fund and also to the vote therein. According to the Government of Yugoslavia, decisions both in the General Council and in the Executive Board would be taken on the principle of one country one vote, and every independent or self-governing country, not a member of the United Nations, could also become a member of the Fund. The Government of Switzerland states as a general principle that all countries which are members of the Fund, whether or not they are members of the United Nations, should have the opportunity of participating in turn in its administration. The Government of Saudi Arabia holds that a higher percentage of representatives of the under-developed countries in the structure of the Special Fund will be very desirable. In the view of the Government of Saudi Arabia, existing organs in the United Nations dealing with financing economic development in the under-developed countries lack the representative voice of

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61/ See paragraph 120 below.

62/ See also "Representation on the Executive Board", paragraph 110 below.

recipient countries, a fact which has been subject to criticism in many sessions of United Nations organs. The Government of Nepal, similarly states that interests and viewpoints of countries receiving aid from the Special Fund, including nations in the earlier stages of economic development, should be appropriately represented at each policy-making level. The Governments of Cambodia and Nepal[63] stress the principle of maximum flexibility in administration and operations in order that full account may be taken of the wide variety of local needs and conditions.

General structure of the Fund

105. The Governments of Chile, China, Denmark, Ecuador, Ethiopia, Iran, Israel, Italy, the Republic of Korea, the Netherlands, New Zealand, Norway, Switzerland, Thailand and the United Kingdom express general agreement with the proposals contained in the report of the Ad Hoc Group of Experts headed by Mr. Scheyven, regarding the structure of the Special Fund.[64] Under these proposals, the organs of the Fund would consist of a General Council, an Executive Board, a Director-General, a Joint Advisory Committee and a Staff. Implicit approval is expressed in the suggestions made by the Governments of Austria, Burma, Haiti, India, Indonesia, Japan and Yugoslavia. On the other hand, the Governments of Afghanistan and Pakistan approve the structure recommended by the Committee of Nine[65] which differs from the report of the Ad Hoc Group of Experts mainly in that it does not provide for the creation of a Joint Committee. The Governments of Canada, Colombia, Czechoslovakia, France and Poland suggest structures along the lines of that proposed by the Committee of Nine. As for the Government of the Republic of Viet-Nam, according to which the Special Fund should be an international bank for economic development, all the Fund's powers should be vested in a Council of Governors, consisting of one Governor and one alternate for each State member; the Governors would delegate the majority of their powers to the Fund's Executive Board which should meet once a month and whenever necessary. The Government of Cambodia, on the other hand, holds that in addition to the Executive Board and to the Executive Staff there should be a Board of Management composed of representatives of the specialized agencies.

63/ In reply to question 8.

64/ Special United Nations Fund for Economic Development, document A/2906, chapter VI.

65/ Report on a Special United Nations Fund for Economic Development, document E/2381, pp. 56-59, recommendations 50 to 81.

106. As already noted in Section 5, the Governments of France and of Israel suggest that the Special Fund be administered by the United Nations Secretariat, at least in the initial stage (France). Under the proposal of the French Government, the Director-General of the Fund would be appointed by the Secretary-General of the United Nations. According to the Government of Israel, the status of the Fund could be along the lines of the Technical Assistance Administration or of the Regional Economic Commissions.

The General Council

107. The above Governments, which approve the suggestions of the earlier groups of experts or which propose similar structures, agree that there should be a General Council or plenary meeting of member States to meet once a year, which would determine the Fund's general policy and programmes, receive reports on the policies followed during the previous year, approve the Fund's budget, elect the Executive Board and the Director-General (Czechoslovakia) and amend the Fund's statutes as required. The Government of Canada suggests that the danger of unduly increasing the sessions of the general meeting must be kept in mind at this point. The Government of Chile moreover considers it essential that representatives of the Secretary-General of the United Nations, the International Bank, the International Monetary Fund, and the Technical Assistance Board should attend meetings of the Council. The Government of the Netherlands wonders why the annual meeting of the General Council of the Special Fund should necessarily have to coincide with those of the Board of Governors of the International Bank.[66/] In its view, the different objectives of the two bodies call for different representation. A similar view is expressed by the Governments of China and Israel. On the contrary, the Governments of Burma, explicitly, and the United Kingdom, implicitly, favour the proposal that the Council should meet at the same time of the year as the Board of Governors of the International Bank.

The Executive Board

108. There is a similar general acceptance as to the establishment of an Executive Board whose tasks it would be to approve operations (Cambodia), to carry out

66/ Special United Nations Fund for Economic Development, document A/2906, paragraph 50.

programmes, for considering loans and grants and deciding the terms on which they are to be made (Colombia), to be responsible for the Fund's day-to-day administration (Haiti, United Kingdom), elect the Director-General and supervise the fulfilment of his terms of reference (Haiti), to carry out the policies laid down by the General Council and to exercise such powers as are delegated to it by the Council, particularly in regard to taking decisions as to the use of the Fund's resources (India), to decide on the operations of the Fund in between the sessions of the General Council (Yugoslavia) and to decide in all questions pertaining to the financial operations of the Fund (Colombia and Yugoslavia).

Membership of the Executive Board

109. The maximum membership of twelve suggested for the Executive Board would appear at first sight to be insufficient to the Government of Chile, if it is desired to apply the principle of equitable geographical distribution and to ensure the representation of States in accordance with their special characteristics and their needs and interests. The Chilean Government therefore suggests that consideration might be given to a formula under which this figure would be increased by means of rotating representation on a regional basis. Other Governments expressing concern on adequate or equitable geographical representation are Colombia, France, Japan, Poland and Yugoslavia. The Government of Colombia believes that in view of the considerable increase in the membership of the United Nations, the Executive Board should have the same number of members as the Economic and Social Council. The Government of India similarly states that in order to provide adequate representation for all countries in keeping with the need for continuity in its composition, the Executive Board should have eighteen members. The Government of Burma favours a Board of fourteen to eighteen members while the Government of Indonesia suggests twenty-one members. On the other hand, the Government of Israel suggests that the Board should represent approximately one-third of the total membership of the Fund and would propose that only a minimum of nine members be established with the maximum to be determined by the total number of members of the Fund. In the view of the Government of Japan, it would not be proper to restrict the total number of the Board members to about ten, while the Governments of Ethiopia and Iran agree with a membership of twelve. According to the Government of

Haiti, the Board would comprise four or five representatives of the Technical Assistance Board, the International Bank, the International Monetary Fund, WHO, ILO, FAO and UNESCO. Regarding the designation of the members of the Board, it would appear from the acceptance of earlier suggestions that most Governments agree that they should be elected by the General Council, with the exception of the Government of Cambodia which suggests that they be elected by the General Assembly of the United Nations and of the Government of Indonesia, which suggests that they be elected by the same procedure and under the same considerations as applicable to elections for membership in the Economic and Social Council. Members of the Board, in the view of the Government of Yugoslavia, would be elected on a country and not on a personal basis; the elected countries themselves would appoint their respective directors, taking into consideration the need for high professional qualifications.

Representation on the Executive Board

110. The Governments of Burma, Canada, Denmark, Ethiopia, Nepal, the Netherlands, New Zealand and Thailand favour equal - or roughly equal (India) - representation of the major contributors, on the one hand, and of other members of the Fund, on the other hand. The Government of Denmark would, however, also be prepared to accept a preponderant influence of the major contributors in the Executive Board if this would facilitate the establishment of the Special Fund. The Government of New Zealand considers that decisions of the Board should be taken by two-thirds majority vote. It is the view of the Government of Canada that the proposed Board, consisting of major contributors and other members of the Fund, should be elected on the basis that could ensure, inter alia, the necessary continuity of financial support. The Governments of Brazil, Colombia and Yugoslavia are in favour of equitable or proportionate representation of both the developed and under-developed countries. The Government of Chile concurs in the view that consideration should be given to arrangements to ensure the continuing representation on the Executive Board of the major contributing countries, but this must be attained without prejudice to the principle of equality of representation. The Government of Pakistan states that it is important that representation on the/Executive Board

should not be on the basis of an equal representation of the two groups of members although it is necessary that there should be an assurance of the representation of the more important developed countries. Equal voting rights in the Executive Board are expressly favoured by the Governments of Ceylon, Ethiopia, India, Indonesia, the Netherlands and Yugoslavia (see also paragraph 104 above). The Government of Chile does not consider it desirable to adopt a voting system which gives special responsibility to certain countries.

Re-election of members of the Executive Board

111. In the view of the Government of Colombia, members should be elected every two years and should be eligible for re-election. According to the Government of Ecuador, however, some limitation should be placed on the re-eligibility of members, in order to give more States an opportunity to take part in the work of the Board; in order to ensure continuity of policy, provision might be made for the periodical replacement of part of the Board's membership or eligibility for re-election might be limited to only one additional term of office. In the view of the Government of India, one-third of the members should be retiring every year with provision for re-eligibility of retiring members.

Chairman of the Executive Board

112. The Government of Haiti suggests that the Executive Board be presided over by the Chairman of the Technical Assistance Board or by the President of the Economic and Social Council. According to the Government of India, the Director-General should be the Chairman of the Board, with the power of a casting vote in the event of a tie.

Meetings of the Executive Board

113. In the opinion of the Government of India, it is not necessary that the Executive Board be in session all the year round; periodic meetings, say once every three months, should be sufficient in view of the fact that the Special Fund's assistance is intended mainly for long-term programmes of development with a reasonable degree of continuity in its assistance. Once the decisions as to the use of the Fund's resources are taken, it is the view of this Government that the

day-to-day operations of the Fund may be left in the hands of the Director-General who can report to the Board regularly on the utilization of the aid sanctioned and on the processing of the applications received for assistance. The Government of Canada is of the opinion that it must be kept in mind that there is always the danger of unduly increasing the sessions of the Board.

Representation of other agencies on the Executive Board

114. A number of countries comment on the need for representatives of the United Nations and the specialized agencies to attend meetings of the Executive Board, as well as of the General Council. In the view of the Governments of Ceylon, Chile and Colombia, representatives of the Secretary-General of the United Nations, the President of the International Bank, the Managing Director of the International Monetary Fund, and the Executive Chairman of the Technical Assistance Board should attend meetings of the Executive Board of the Special Fund. In addition, the Government of Chile agrees that the Executive Board should be empowered to invite other specialized agencies of the United Nations to send representatives to any meetings at which questions falling within their field of interest are to be discussed. The Government of Israel would add the Food and Agriculture Organization to the above list of organizations invited to attend all meetings of the Board, while the Government of Haiti would expand the list of represented agencies to include the International Labour Organisation, the World Health Organization, and the United Nations Educational, Scientific and Cultural Organization. According to the Government of the Republic of Korea, the voice of the Food and Agriculture Organization should be as fully heard in the Fund's deliberations as that of the Technical Assistance Board.[67/] The Government of Czechoslovakia, on the contrary, cannot concur in representatives of the International Bank and the International Monetary Fund being entitled to take part in the Board's deliberations. In its view, close co-operation between the Director-General of the Fund and a representative of the Secretary-General of the United Nations will suffice to meet the requirements of co-ordinating the Fund's activities with those of the other specialized agencies.

67/ In reply to question 8.

The Joint Committee

115. The proposal to establish a Joint or Liaison Committee composed of the Director-General of the Special Fund, the Secretary-General of the United Nations and the President of the International Bank or their representatives with the essential function to advise the Director-General in the formulation of the Fund's programme of work[68] is supported by those Governments which prefer the structure recommended by the Ad Hoc Group of Experts to that recommended by the Committee of Nine.[69] According to the Government of Indonesia, this Committee would meet at the request of the Director-General of the Fund. The Government of Poland similarly suggests that one could foresee the creation of a consultative body with the participation of representatives of the United Nations Secretariat, the Technical Assistance Board and the specialized agencies. The Government of Cambodia recommends the setting up of a Board of Management consisting of representatives of the specialized agencies which would co-ordinate programmes and make proposals of operations for the approval of the Executive Board. The Government of Japan suggests that the Joint Committee also include the Executive Secretaries of the Regional Economic Commissions and the Executive Chairman of the Technical Assistance Board. On the other hand, the Government of Chile considers that further consideration should be given to the experts' suggestion for a Joint Committee; it expresses surprise that it has not been suggested that the Executive Chairman of the Technical Assistance Board should be a member of the Committee. The Government of the Netherlands also feels that the proposal to set up a Joint Committee deserves further consideration, and suggests that the Executive Chairman of the Technical Assistance Board might perhaps act as alternate to the Secretary-General of the United Nations. The Governments of Ecuador and Colombia are less in favour of the Joint Committee. In the view of the Colombian Government, since there is already representation of the specialized agencies provided for in the Executive Board, it is neither necessary nor desirable to set up a Joint Committee. This point is also made by the Government of Ecuador which further observes that under the procedures laid down for the appraisal of projects and owing to the nature of the functions of the organizations concerned, the Director-General of the Special Fund will have to

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68/ Special United Nations Fund for Economic Development, document A/2906, paragraphs 57-59.

69/ See paragraph 105 above.

maintain close contact with the Secretary-General and the President of the International Bank. The Government of the United Kingdom doubts whether the formal composition of the Joint Committee would constitute suitable machinery for liaison among the agencies and doubts whether the International Bank would be willing to perform the functions assigned to it on that Committee.[70] The Government of Israel hesitates to pronounce itself finally on the need to set up such a Committee; if it is decided to establish a Joint Committee, the Committee should be composed as follows: the Director-General of the Fund, the President of the International Bank, the Executive Chairman of the Technical Assistance Board and the Head of the Department of Economic and Social Affairs of the United Nations Secretariat.

Administration of the Special Fund

(a) The Director-General

116. The Governments of Burma, Colombia, Ecuador and Yugoslavia agree with the proposal in the report of the Committee of Nine[71] that the Director-General would be appointed by the Executive Board in consultation with the Secretary-General of the United Nations. The Government of Czechoslovakia specifies that the President of the International Bank should not be entitled to act in a consultative capacity with regard to his appointment. The Government of Ecuador believes that no consultation with officials of the specialized agencies is required. In the view of the Government of India, the Director-General should be appointed by the Executive Board in consultation with the Joint Advisory Committee, while the Governments of Czechoslovakia and Poland suggest that he should be elected by the General Conference (or Assembly) of the Special Fund.

(b) The Staff

117. The Governments of Burma, Chile, China and the Netherlands concur in the view of the Ad Hoc Group of Experts that the staff of the Special Fund should be kept as small as possible. However, in the view of the Governments of Chile, Israel, Japan and the Netherlands, the staff should be sufficient to be able to accomplish its task with the necessary independence; it should not become entirely

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70/ In reply to question 5.

71/ Report on a Special United Nations Fund for Economic Development, document E/2381, page 58, recommendation 68.

dependent for the fulfilment of its task on the administrative facilities of other bodies or organizations. In the view of the Government of Czechoslovakia, the Fund should have its own key staff and otherwise utilize the Secretariat services available at the United Nations Headquarters, including those of the Technical Assistance Board. The Government of the Netherlands similarly suggests that the United Nations Secretariat might supply its services where necessary, while the Government of Burma suggests maximum utilization of the existing international organizations.

118. According to the Government of Afghanistan, the provisions of Articles 100 and 101 (3) of the United Nations Charter concerning standards of efficiency, competency, and integrity, as well as wide geographical distribution, should apply to the staff.

(c) General

119. Concerning the organizational pattern of the Fund's administration, the Government of Cambodia suggests a General Executive Department, a Financial Studies Service and an Accounts Department. The Government of Haiti suggests a Secretary-Treasurer and an Economist as well as a small group of assistants limited as to number and as to the total amount of their salaries. The Government of the Republic of Viet-Nam proposes a Programmes Division, a Credit Division, and a Control Division, each subdivided into an industry, agriculture and social welfare section; representatives of the international agency responsible for industry would be attached to the industry sections, representatives of FAO to the agriculture sections, and representatives from UNESCO, WHO, ILO, etc., to the social welfare sections. The Government of Italy recommends the establishment of regional offices of the Fund for exploratory and planning functions, closely related to the Regional Economic Commissions.

120. Avoidance of a new costly international bureaucracy is stressed by the Governments of Austria, Canada, Norway, Pakistan and Switzerland. In the view of the Government of Cambodia, the administrative structure of the Special Fund should be simple as it is very difficult for the meagre administrative services of the under-developed countries to comply with the requirements of the corresponding administrative services of the assisting international bodies and foreign countries; it is advisable therefore to avoid the danger of giving the Special Fund an excessively elaborate administrative structure.

7. Methods and mechanism for the appraisal of projects

Thirty-nine governments commented on this question.

Establishment of procedure for appraisal

120. Eight governments explicitly express agreement with the procedures for appraisal recommended in the report of the Ad Hoc Group of Experts.[72/] Statements to this effect are made by the Governments of Austria, Colombia, Denmark, Ecuador, Ethiopia, the Republic of Korea, New Zealand and Switzerland.

121. The Governments of China, Pakistan, Saudi Arabia and Thailand suggest that rules for the screening of applications should be worked out. The Government of China would leave the formulation of such rules to the Executive Board of the Special Fund, and the Government of Thailand favours the establishment of a committee to lay down procedure and mechanism for the appraisal of projects. The Governments of Cambodia, Chile and Norway stress the need for simplicity and speed of procedures for the appraisal of projects. The Government of Cambodia suggests in order to expedite work, that detailed a priori appraising of a project should be replaced by stricter control (supervision) of actual expenditures as the execution of a project progresses.

Criteria for appraisal of projects

122. Some governments stress the difficulty or undesirability of rigid criteria or rules for the appraisal of projects (Greece, Pakistan, Poland). The Government of Nepal, on the other hand, favours the clearest possible statement by the Special Fund's administration of the criteria which will govern the making of both grants and loans. The Government of Indonesia also states that in view of the fact that the co-operation of other agencies with standards different from those of the Fund will be required in the appraisal of projects, there is an evident need for clear formulation by the Fund of its own policy directives.

123. The following Governments mention guiding principles of a general nature that should be applied in the appraisal of projects: Afghanistan, Brazil, Canada,

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72/ Special United Nations Fund for Economic Development, document A/2906, paragraphs 61-67.

Czechoslovakia, France, Greece, Israel, Pakistan, Poland, Thailand, United Kingdom and Yugoslavia. First of these are a group of principles based on consideration of the nature and scope of the Fund, suggested by the Government of France: consistency with the Fund's policy, competence of the Fund as distinct from other agencies to assist a given project, financial requirements of a project in relation to the Fund's capacity. Consistency with aims of the Fund is also mentioned by the Governments of Thailand and Yugoslavia; the criteria suggested by France are also implied by other governments. A second group of general criteria is related to the benefits to be derived from the Fund's assistance. In this category are mentioned: The impact of a project on the economic development of a country (Brazil), ability to increase the capacity of a country to further its subsequent development by its own means (Poland), a project's contribution to the strengthening of the infrastructure (Israel), a project's demonstrable direct contribution to the expansion of productive resources (United Kingdom),[73/] the indirect economic as well as social benefits that are likely to accrue on the completion of a project (Pakistan). The Government of Czechoslovakia is of the opinion that the main criteria for appraisal of projects should be whether they are in fact designed to further the development primarily of the key sectors of the economy, i.e., industries and agriculture.

124. Other issues of appraisal are raised by the Government of India, which states that the spirit of the Special Fund requires that it should appraise the over-all programmes of development of the applicant countries rather than specific projects, and give assistance within the framework of a well-conceived programme of development so as to permit a reasonable degree of flexibility in its actual utilization. The Government of Norway also states specifically that projects should be appraised in close relationship with other projects in the assisted areas. Similar views are expressed by the Governments of Israel, Nepal and Saudi Arabia, the Government of Israel adding that assistance received on a bilateral basis should also be taken into account.

73/ In reply to question 1.

125. Regarding more specific criteria, the Government of Israel suggests that in appraising requests, the Fund should consider whether its assistance would increase the utility of loans and technical assistance received from other sources. The Government of Thailand makes a distinction between grants and loans in suggesting criteria of appraisal; whereas the former should be extended on the basis of need and contribution to social improvement, other criteria should also be applied in the appraisal of loan-applications: notably the timing of a project and the ability of the recipient country to service the loan. The Government of Brazil, on the other hand, holds that in its consideration of applications, the Fund should not adopt as a criterion the applicant's capacity to repay in foreign currency.[74/] The Government of Costa Rica states that for the appraisal of projects there are already available well tried criteria such as health facilities per capita, population increase, etc.

126. The Government of Chile considers it extremely important to lay down the most appropriate method for determining the order to priority of projects. The Government of Cuba expresses views on the mechanism for establishing priorities. This Government suggests that where several projects are submitted by a government, the priorities indicated by it should as far as possible be observed by the Fund, but the final decision on priorities should rest with the competent organs of the Fund. The Government of Canada is of the opinion that adequate procedures should be established to assure that resources are allocated equitably and efficiently to meet the most important and urgent needs of the under-developed countries, having regard, of course, to the fact that such needs may also be met by funds from other sources.

Mechanism of appraisal

127. Direct submission of projects by governments is specifically stressed by the Governments of Canada, France, India, Japan and Yugoslavia. The Czechoslovak Government states, moreover, that applications should be submitted directly by

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74/ In reply to question 8.

the governments concerned, to the exclusion of any intermediary agency or institution. The Governments of Ethiopia, Haiti, Indonesia, Iran and Pakistan imply in their replies that submission will be directly to the Special Fund.

128. The Government of Chile suggests as a permissible alternative to direct submission by governments, submission of application through specialized agencies or the International Bank. The Government of Colombia adds to the above the United Nations Technical Assistance authorities as an appropriate channel for submission of projects. The Government of the Republic of Viet-Nam considers it desirable that projects be prepared in co-operation with experts from specialized agencies and be sent to the specialized agency concerned for transmittal to the Fund. Several other governments suggest assistance by specialized agencies in the preparation of projects.

129. In replies to question 5, governments express their views on co-operation with specialized agencies, the United Nations Secretariat, the Technical Assistance Board and the Secretariats of the Regional Economic Commissions. In connexion with the question of appraisal of projects, the following Governments refer to co-operation with one or more of the organizations or agencies listed above: Cambodia, Canada, Ceylon, Chile, Czechoslovakia, Finland, India, Indonesia, Iran, Israel, Japan, the Netherlands, Norway, the Republic of Viet-Nam, Yugoslavia. In addition, the eight countries expressing agreement of the recommendations of the Ad Hoc Group of Experts listed earlier implicitly approve such co-operation.

130. The Governments of Cambodia, Chile, Colombia, Ecuador, Ethiopia, Finland, Japan, the Netherlands, Norway and Yugoslavia would agree to submission for preliminary appraisal of an application received by the Special Fund to a competent specialized agency or other United Nations body listed above. The Government of Chile is of the opinion that applications submitted to the Fund should be simultaneously examined by the competent organs, including the regional economic commissions. Specific reference to consultation with regional economic commissions is also made by the Governments of Colombia, Ecuador, Japan and Yugoslavia. The Government of Ecuador suggests that when a project is to be examined before submission to the Executive Board, it should be examined separately by the

appropriate departments of the United Nations Secretariat and of the International Bank. The Government of Ethiopia considers that applications received by the Fund should first be sent by the Director-General to the appropriate organization for examination or further information. The Government of Finland is of the opinion that only projects unanimously approved by the specialized agencies and other bodies consulted should be given financial support by the Fund. The Government of the Netherlands expresses the view that appraisal of applications will fall in the first place to the organizations to which the particular projects in question belong. The Government of Norway states that it would seem practical for the appraisal to be made by, or in close co-operation with, the United Nations apparatus for technical assistance.

131. References to the need for assistance in the appraisal of projects by specialized agencies and other United Nations bodies, without specifying any particular method of co-operation are also contained in the replies of the Governments of Canada, Ceylon, Czechoslovakia, France, India, Indonesia, Iran, Israel, Japan, Thailand and Yugoslavia. The Governments of India, Pakistan, Yugoslavia and Haiti state explicitly, however, that the final appraisal of projects should be undertaken by the Fund itself.

132. Several governments stress the need to give complete authority to the Board for making final decision. This is explicitly stated by the Governments of Cambodia, Chile, Colombia, Czechoslovakia, France, Haiti and Pakistan. The Government of Austria[75/] suggests the possibility of appeal against the decision of the Executive Board to be lodged with the General Council.

Other points made by governments

133. Two Governments stress the need for freedom from political considerations in the operation of the Special Fund (Afghanistan, Saudi Arabia). The Government of Brazil[76/] suggests that the Fund might have specialized offices in the principal

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75/ Which does not specifically mention co-operation with other agencies in this context.

76/ In reply to question 8.

under-developed areas, which would give technical assistance to member states in the preparation of economic development projects.

134. End-use supervision of the aid granted to under-developed countries either in the form of grants-in-aid and/or of loans is recommended by the Governments of India,77/ Israel,77/ Thailand,77/ and the Republic of Viet-Nam77/ (the latter only in the case of loans, the only form of assistance envisaged by this government). The Government of India remarks that although it is in favour of what is sometimes called the "programme approach" as distinguished from the "project approach", nonetheless, in the common interest of all members of the Fund, some machinery is clearly required for keeping track of the use made of the Fund's assistance and for insuring that the aid given by the Fund is, in fact, used for implementing larger and more balanced programmes of development. The Government of Israel suggests that the Resident Representative of the Technical Assistance Board or experts of specialized agencies may well be assigned special responsibilities with regard to the implementation of projects initiated under the auspices and with the aid of the Fund and such agents will then have to submit progress reports to the Director-General of the Special Fund.

77/ In reply to question 4.

Part II

Analysis of comments of governments

A. Analysis of views on the establishment of a Special Fund

1. Out of the forty-six governments which have replied to the Secretary-General, seventeen have preceded their replies to the eight questions enumerated in the annex to resolution 923 (X) with considerations on the question of the establishment of a Special Fund; two others express views on this subject without answering the eight questions. Thirteen governments have made remarks on this matter in connexion with some of the questions enumerated in the annex to resolution 923 (X), but have not dealt separately with it. Eleven governments touch upon the question of establishment by implication only. In this respect it should be noted that although governments were invited to submit their views on the establishment of a Special Fund no specific question on this matter was included in the annex to said resolution. Three governments express neither general views nor do they answer the eight questions.

2. All forty-three governments expressing views on the establishment of a Special Fund are in agreement in principle with such establishment. Twenty-six express themselves in favour of the establishment of the Special Fund without laying down any prerequisite conditions; eleven take the same position by implication. Six governments believe, however, that certain conditions should be fulfilled before the Special Fund is established.

3. Of the twenty-six governments mentioned in the previous paragraph, seventeen emphasize the impact which such a Fund would have on the economic and social development of less developed countries, four of them stressing the value of such an establishment in the promotion of good will and understanding among nations. Nine governments of which five are already included in the seventeen mentioned above, consider that the Special Fund should be established before world-wide internationally controlled disarmament is achieved. One government considers that until significant reductions all round in the level of expenditure on arms can be achieved, there can be little hope that funds on the scale required will be forthcoming for the proposed Special Fund.

4. Seven governments express disagreement with the suggestion that the Fund might perhaps be established for an initial period of five years while one government explicitly agrees with it.

B. Analysis of replies to the questions enumerated in the annex to resolution 923 (X) of the General Assembly

1. Role of a Special Fund

5. In past studies, particularly the report of the Committee of Nine[1/] (1953) and the report of the Ad Hoc Group of Experts headed by M. Scheyven[2/] (1955), five general suggestions as to the character of the proposed Special Fund have been made. It has been suggested that the proposed Special Fund should be guided by the principles of the United Nations, that it should stimulate self-help in the assisted countries, that it should effectively contribute to their economic development, that it should essentially operate as a non-commercial and non-profit making institution, and that the resources provided by the Fund should be additional to those available from other sources. These suggestions seem in general to be supported in the present governmental replies; and none of the replies suggests any basic departure from them.

6. A substantial number of governments (twenty-four) point out, with varying degrees of emphasis and explicitly or by implication, that the Fund should devote resources more especially to developing the infrastructure of under-developed countries, i.e. in the words of the report of the Ad Hoc Group of Experts, "the basic facilities needed for effective production, such as a minimum of roads, power stations, schools, hospitals, housing and government buildings". Of these twenty-four governments, fourteen governments also favour assistance to certain directly productive projects in agriculture or industry or refer to assistance to be given within the framework of development programmes, or cover both points.

7. In addition to these fourteen governments which would extend the scope of assistance beyond the infrastructure, there are eight governments which only refer to assistance within the framework of, or in direct support, of broader development programmes or for certain directly productive projects without specific reference

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1/ Report on a Special United Nations Fund for Economic Development, document E/2381.

2/ Special United Nations' Fund for Economic Development, document A/2906.

to the infrastructure. Out of this total of twenty-two governments nine refer to development programmes, but not specifically to productive projects, eight to productive projects but not specifically to development programmes, and five to both productive projects and development programmes.

8. Some governments urge that the Special Fund should not be restricted to non-self-liquidating projects (eight governments) nor to the direct foreign exchange requirements of specific projects (four governments), but twelve governments state that the Fund would only finance projects for which private capital or international financial resources, especially those of the International Bank, are not available, while other governments by implication seem to be of the opinion that the Special Fund should finance only non-self-liquidating projects.

9. Question 1 as formulated in the annex to resolution 923 (X) asked for opinions on the role of the Special Fund "in the economic development of your country". The governments of under-developed countries replied directly, in relation to their own plans for development. Four other governments stated that they anticipated trade benefits either immediately in connexion with the aid currently provided or over a longer period as standards of living rose in under-developed areas. (See also preceding Section A.)

10. New proposals put forward by two governments are that the Special Fund might play some part, if so requested by the governments concerned, in the formulation and supervision of programmes of assistance provided on a bilateral basis; also that the Fund should facilitate the co-ordination of aid of all types by collecting and disseminating information about it.

2. Nature of contributions to the operational budget of the Special Fund

11. Nineteen governments express themselves explicitly in favour of voluntary contributions. Seven governments would prefer fixed assessments as opposed to voluntary contributions. Fifteen governments support the idea that governments might determine their contributions on the basis of some objective criteria (national income, aggregate or per capita, keeping in mind, but not necessarily copying, the scale of contributions to the United Nations, the International Bank, etc.).

12. Sixteen governments explicitly support the idea of contributions renewable at annual or other periodic intervals. Eleven governments recommend a system of advance pledges, e.g. for two or three or five years, subject to annual approval by legislative authority, where required, in order to provide some sort of long-term foundation for the Special Fund's resources and to enable countries to receive assistance from the Fund for long-term programmes.

13. The replies received indicate that contributions may take one of more of the following forms: (i) contributions in the form of local currencies, to be used for the purchase of goods and services in the contributing country, or convertible into other currencies only to the extent permitted by the governments concerned; (ii) contributions directly in goods and services; and (iii) fully or partially convertible contributions.

14. Seventeen governments express themselves in favour of contributions in local currency. Two of them state explicitly that many countries would have difficulties in contributing if the Special Fund were to have the right to insist on convertibility into any currency. Although four of the seventeen governments recognize the limitations which would thus be imposed upon the Fund's resources, ten of them stipulate that conversion into other currencies should be subject to the approval of the government concerned.

15. Five governments point out the possibility of contributions to be made at least partly in goods or services. Six others would permit such contributions in exceptional circumstances or within certain limits only. On the other hand, seven governments explicitly oppose contributions of this sort.

16. Ten other governments on the other hand express the view that all or at least a certain proportion of the contributions should be convertible. Five of them consider that complete or the widest possible convertibility is necessary inasmuch as it would give considerably more flexibility to the Fund in its operations.

3. Initial sum to be collected before the Special Fund should start its operations

17. Of the thirty-five governments which have replied to this question in specific terms, eighteen have stated that the Special Fund could begin its operations with an initial amount smaller than the $250 million proposed by the Committee of Nine.

It is the view of these governments that possible difficulties in attaining the initial sum of $250 million should not stand in the way of the establishment of the Special Fund. Seven of these replies have not specified the lower amounts which are considered necessary. Of the others, three are content with an amount between $200 and $250 million, three with $150 million, one with $100 to 150 million, and four with $100 million or less. The lowest figure, $62.5 million, is, however, qualified with the statement that the Special Fund should at the sametime be at least able to count on the participation of the major countries at not too distant a date.

18. Twelve of the thirty-five governments consider that the Special Fund should begin operations with an initial sum of $250 million, collected or pledged. Of these, six governments feel more specifically that one should not embark upon a new international venture of the type of the Special Fund without a promise of contributions aggregating $250 million as a minimum amount.

19. The five other governments suggest higher amounts ranging from $300 million to $2,000 million.

20. Five governments have not specified any precise amount as being the minimum required to be collected or pledged before the Special Fund begins its operations. Two of them express inability to make a precise estimate without the data necessary to compute the operational requirements of the Special Fund. Two others consider that the question of the exact initial amount should be secondary to the urgent need for setting up the Special Fund.

21. Besides specifying the size of the initial contributions, two governments would like to see initial participation by twenty or thirty countries in the Special Fund. Six governments consider that the Special Fund would not have a reasonable assurance of success and continuity without the participation of major industrialized countries.

22. Fourteen governments emphasize that, if the Special Fund is to be an effective instrument in the development of under-developed countries, it will have to count on continued and possibly higher contributions in future years. Five governments look forward to improvement in international economic and political situations, as well as to savings from programmes of disarmament, as potential sources of

increased contributions to the Special Fund in future years. One government draws attention to General Assembly resolution 724 (VIII).3/

4. Grants-in-aid and loans, their terms and conditions

23. A great majority of governments seem to visualize the Fund as engaging both in grants and loans. The various views of forty-one governments expressing opinions on this question can be summarized as follows:

(a) Exclusively loans: four governments;

(b) Primarily loans but without excluding grants: nine governments;

(c) Both grants and loans, without preconceived ideas on the relative magnitude of the two forms of transactions: sixteen governments;

(d) Primarily grants, without excluding loans: twelve governments.

24. A variety of arguments is developed in the replies. Of those which prefer grants-in-aid, two governments believe that this form of assistance would better correspond to the needs of the under-developed countries; two others stress the administrative advantages of grants-in-aid. The arguments adduced in favour of loans are: that loans would assure replenishment of the Fund's resources (nine replies); that requests for assistance would be limited to projects of reasonably high priority (one reply); and that loans, as distinct from grants-in-aid do not affect the prestige of receiving countries (two replies). In six replies it is indicated that the distribution of the Fund's operations as between the economic and the social parts of the infrastructure would necessarily have a relation to the financial instruments to be employed by the Special Fund, e.g., grants-in-aid, loans in various forms.

3/ This resolution contains the following declaration: "We, the Governments of the Member States of the United Nations, in order to promote higher standards of living and conditions of economic and social progress and development, stand ready to ask our peoples, when sufficient progress has been made in internationally supervised world-wide disarmament, to devote a portion of the savings achieved through such disarmament to an international fund, within the framework of the United Nations, to assist development and reconstruction in under-developed countries". (Official Records of the General Assembly, Eighth Session, Supplement No. 17, p. 10).

25. Concerning the nature and terms of loans, various instruments have their supporters: (a) Twenty-two governments are in favour of long-term low-interest loans, i.e. with longer periods of amortization and rates lower than those of the International Bank; (b) three governments are in favour of interest-free loans; (c) eighteen governments are in favour of loans repayable in local currency; this group comprises eleven of those governments suggesting long-term low-interest loans and seven of those in favour of loans at normal interest rates (of which two refer to rates charged by the International Bank. (d) Eight governments in all are in favour of normal interest loans, three referring specifically to International Bank rates; two of the eight governments assume that loans would be repayable in local currency; two others in order not to deviate from normal commercial lending operations, and one because such loans would be made out of funds secured through bond flotation in the open market. (e) Combinations of grants by the Special Fund with loans from the International Bank or from other lending agencies, so as to produce in effect a combined low-interest loan, are approved by five governments, and opposed by one.

26. Four governments expressly oppose renegotiation or modification of terms of loans, once they have been laid down.

5. Relationships between the Special Fund, the United Nations and the specialized agencies

27. Twenty-one governments out of thirty-nine which have replied to this question envisage the Special Fund, when established, as an autonomous body within the framework of the United Nations; of these, six suggest that the proposed Fund should be set up as a specialized agency and ten specifically refer to the recommendations made by the Ad Hoc Group of Experts.[4/]

28. Thirty-four governments recommend close co-operation with one or more of the following United Nations organizations: the United Nations itself including its regional economic commissions (mentioned in twenty-six replies), the United Nations technical assistance bodies (mentioned in sixteen replies), and the

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4/ Special United Nations Fund for Economic Development, document A/2906, chapter VI.

specialized agencies, particularly the International Bank (mentioned in sixteen replies) and the Food and Agriculture Organization (mentioned in eight replies). Among the reasons indicated by governments in support of close co-operation are: the desire to prevent duplication with existing organizations, the desirability of keeping the size of the staff of the Special Fund as small as possible, the best possible utilization of resources available for the development of under-developed countries especially by joint or complementary action with technical assistance. Exchange of information and of technical services and assistance between the Special Fund and the United Nations organizations in the preparation and implementation of projects are mentioned as forms of co-operation.

29. Nine governments out of the thirty-four mentioned in the preceding paragraph explicitly refer to the necessity for safeguarding the operational independence of the Special Fund. Five governments more particularly emphasize the operational independence which the Fund should have vis-a-vis the International Bank.

30. Two governments recommend that in order to facilitate co-ordination with United Nations bodies, the Special Fund's administration should be situated in New York.

31. Four governments suggest execution and administration by the specialized agencies of assistance decided upon by the Special Fund.

6. Structure of the Special Fund

32. Twenty-nine governments appear to be in general agreement with the recommendations concerning the structure of the Special Fund contained in the report of the Committee of Nine or that of the Ad Hoc Group of Experts headed by Mr. Scheyven. Of these, fifteen governments are explicitly, and another seven governments are implicitly in agreement with the proposals of the Ad Hoc Group of Experts regarding the structure of the Special Fund as a whole, although five of these twenty-two governments have some reservations concerning the Joint Committee. Under these proposals the organs of the Fund would consist of a General Council, an Executive Board, a Director-General, a Joint Committee and the Staff. The remaining seven of the twenty-nine governments are in implicit or explicit agreement with the proposals of the Committee of Nine which differ from the report of the Ad Hoc Group of Experts mainly in that they do not provide for a Joint Committee.

33. There is agreement among twenty-nine governments that there should be a General Council or plenary meeting of Member States to lay down the Special Fund's general policy and to receive reports on the Fund's activities.

34. Regarding the membership of the Executive Board, thirteen governments are in favour of equal representation of two groups of countries of which the first would consist mainly of major contributing countries, the second mainly of under-developed countries. Seven governments expressly state that the members of the Executive Board should have equal voting rights.

35. Of the aforementioned twenty-two governments generally supporting the proposals of the Ad Hoc Group of Experts, seventeen appear to be in favour of a membership of twelve, while five governments and also another government not among the twenty-two are in favour of a larger number than twelve (fourteen and twenty-one being the lower and upper limits mentioned). Six governments mention the need for a fair geographical distribution. Three governments explicitly state that membership of the Executive Board should be established on a rotating basis.

36. As to the Joint Committee proposed by the Ad Hoc Group of Experts, seventeen governments (seven explicitly) appear to favour such a Committee with the composition proposed by that Group. On the other hand, eight governments express in various degrees disagreement. Of these eight governments, two are against the establishment of the Joint Committee, one expresses doubts whether the Committee would be appropriate and five would like to see the Committee expanded by adding the Chairman of the Technical Assistance Board or representatives of the specialized agencies, or of the regional economic commissions.

7. Methods and mechanism for the appraisal of projects

37. The replies to this question are related to those given under questions 1, 4, 5 and 6. The present summary analyses the two principal subjects discussed in the replies to question 7: (a) the mechanism for handling requests for assistance, and (b) criteria for appraisal of projects.

38. Of the twenty-three governments explicitly in favour of some measure of co-operation between the Special Fund and other agencies in the handling of requests: eight express agreement with the Ad Hoc Group of Experts' report which, inter alia, recommended that use be made of existing United Nations organizations, especially

the United Nations Secretariat and the International Bank, in handling assistance requests; one of these governments recommends simultaneous treatment by various agencies. Fifteen, without reference to that report, indicate the necessity of co-operation with existing United Nations organizations.

39. Fourteen governments express themselves on whether submission of projects should be directly to the Special Fund or through one of the existing agencies; eleven governments suggest direct submission of projects to or appraisal by the Special Fund, without mentioning alternative methods; three governments suggest submission through an existing United Nations body.

40. Seven governments explicitly state that the final decision on the granting of assistance should rest with the executive organs of the Fund; and many governments, in view of their opinion given in reply to question 5 on an Executive Board, seem to share this belief implicitly.

41. Sixteen governments mention one or more general principles to be applied in the appraisal of projects. These principles relate to the general aims and tasks of the Fund and to the beneficial impact on the economic development of the countries assisted.

42. Three governments stress the difficulty or undesirability of laying down rigid criteria and two other governments state that the Fund should establish methods for determining priorities.

Part III

Conclusions

CONCLUSIONS

1. The Committee wishes to emphasize that the following conclusions, broad as they are, should be read in conjunction with parts I and II of this interim report and not by themselves.

2. The replies of governments so far received show that there is support for the proposal to establish a Special Fund to assist in financing the economic development of under-developed countries.*/

3. From the answers of governments summarized in the previous parts of this report there emerges a general pattern of the proposed Special Fund which brings together the most frequently indicated views on its various aspects. This pattern, by its nature, does not take into account the diversity of opinions put forward on each aspect. In addition, the group of governments representing the most frequently indicated view on a particular aspect is not necessarily always the same. Consequently, it is possible that some features of the pattern which emerges are not fully consistent with each other.

4. This pattern is as follows: The financing by the Fund would be more especially for economic and social infrastructure, although broader development programmes, including directly productive projects in the field of industry and agriculture have also been mentioned by many countries. The views with regard to the initial sum needed centre around the range of $200 million to $250 million. The Special Fund would be established and maintained by voluntary contributions, the size of which might be determined by governments on the basis of some objective criteria. Contributions are thought of as renewable annually or at other intervals. Governments in general envisage that contributions to the Special Fund would be made in local currency convertible into other currencies only to the extent permitted by the governments concerned; some governments, however, envisage fully or partially convertible contributions or contributions partly in kind. Assistance

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*/ It should be noted, however, that governments were not expressly requested to indicate to what extent they would be prepared to give a Special Fund their financial support and governments, therefore, generally did not deal with this question.

is thought of in the form of both grants and loans, especially long-term low-interest loans. The Special Fund would be an autonomous body, operating independently within the framework of the United Nations, and co-operating closely with other appropriate United Nations organs and agencies. Its general structure is thought of as the one proposed by the Ad Hoc Group of Experts, with an all-member General Council, an Executive Board, a Director-General, a Joint Committee and a staff, which would be kept as small as possible; there is, however, some disagreement concerning the Joint Committee.

Reservations

Poland

5. The delegation of Poland considers that the terms of reference of the Ad Hoc Committee as formulated in resolution 923 (X) of the General Assembly do not state clearly that the Committee should elaborate conclusions on the basis of the replies of governments to the General Assembly's questionnaire, or that it present such conclusions after receiving a limited number of replies to the above-mentioned questionnaire. In view of these circumstances the delegation of Poland is of the opinion that this problem requires further clarification.

Union of Soviet Socialist Republics

6. The General Assembly in resolution 923 (X) instructed the Ad Hoc Committee to present only an "analysis" of replies and comments of governments. Such an analysis has been prepared by the Committee and the Soviet delegation is in general agreement with it. However, the General Assembly did not instruct the Committee to elaborate any kind of "conclusions" regarding the replies of forty-six countries within its interim report and there is no need for any conclusions. It must also be borne in mind that the proposed draft of "conclusions" fails to reflect fully the gist of the above replies.

ANNEX

Text of Resolution 923 (X) of the General Assembly on the Question of the Establishment of a Special United Nations Fund for Economic Development

"The General Assembly,

Reaffirming the importance of the economic development of the under-developed countries as an essential condition for promoting such international relationships as are propitious for the strengthening of peace and the attainment of world-wide prosperity,

Considering the real need of the under-developed countries for additional means for accelerating the development of their economic-social infra-structure, which is basic to the substantial expansion of their production and to the well-being of their peoples,

Recalling its resolutions on the establishment of a Special United Nations Fund for Economic Development and, in particular, reaffirming its unanimously adopted resolutions 724 A (VIII) and 724 B (VIII) of 7 December 1953,

Recalling further its appeal to Governments to review their respective positions as regards extending their material support to such a Fund in accordance with changes in the international situation and other relevant factors, both national and international, as expressed in its resolution 822 (IX) of 11 December 1954,

Having examined the further report 1/ of Mr. Raymond Scheyven, assisted by the Secretary-General and a Committee of Experts, the comments 2/ thereon of the Economic and Social Council, included in the Council's report at the request of the General Assembly under resolution 822 (IX), and the statement 3/ made by Mr. Seheyven on 31 October 1955.

Taking note of Economic and Social Council resolution 583 A (XX) of 5 August 1955,

1. Expresses its great appreciation of the work performed by Mr. Scheyven, assisted by the Secretary-General and the Committee of Experts;

1/ Official Records of the General Assembly, Tenth Session, Supplement No. 17 (A/2906).

2/ Ibid., Supplement No. 3 (A/2943), chapter III A, paras. 142 to 177.

3/ Ibid., Tenth Session, Second Committee, 366th meeting.

2. Requests the Secretary-General to invite the States Members of the United Nations and members of the Specialized agencies in the economic and social sphere, to transmit to him, not later than 31 March 1956, their views, as definitely as possible, relating to the establishment, role, structure and operations of a Special United Nations Fund for Economic Development, bearing in mind particularly the questions enumerated in the annex attached hereto, in order that such views and replies may provide material for the statute of the Fund when it is decided to establish such a Fund;

3. Requests further that the Secretary-General, in addressing Member States as indicated above, provide them with all the relevant documents, including the records of the discussions on the subject at the tenth session of the General Assembly;

4. Establishes an Ad Hoc Committee composed of representatives of sixteen Governments, to be appointed by the President of the General Assembly, to analyse the replies and comments of Governments received under paragraph 2 above, with a view to submitting to the Economic and Social Council at its twenty-second session and to the General Assembly at its eleventh session such interim report as it may be in a position to make, and its final report to the twenty-third session of the Council, it being understood that in making such reports, it would not commit any Member Government;

5. Invites the Secretary-General to provide the Ad Hoc Committee with all the necessary facilities;

6. Expresses the hope, in view of the increased support for the proposed establishment of a Special United Nations Fund for Economic Development, that conditions more favourable to the establishment of an international Fund will be created in the near future, and that savings from internationally supervised world-wide disarmament will provide additional means for financing the economic development of under-developed countries, and will further the aims and objectives of such a Fund.

553rd plenary meeting,
9 December 1955.

Annex

1. What, in the expectation of your Government, will be the role of a Special Fund in the economic development of your country?

2. What is the opinion of your Government as regards the nature of contributions to the operational budget of the Special Fund?

3. What is the opinion of your Government as to the initial sum which should be collected before the Special Fund starts its operations?

4. What does your Government think as to the Special Fund making grants-in-aid and loans and under what terms and conditions?

5. What is the opinion of your Government about the relationships between the Special Fund on the one hand and the United Nations and the specialized agencies on the other?

6. What, in the opinion of your Government, should be the structure (governing bodies and management) of the Special Fund?

7. What, in the opinion of your Government, should be the methods and mechanism for the appraisal of projects submitted by Governments?

8. Any other suggestions your Government may have regarding the structure and functions of the Special Fund."
