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ECONOMIC DEVELOPMENT OF UNDER-DEVELOPED COUNTRIES

SPECIAL UNITED NATIONS FUND FOR ECONOMIC DEVELOPMENT

Comments of Governments on the report of the Committee
of Nine, submitted in accordance with General Assembly
resolution 724 B (VIII)

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I. NOTE BY THE SECRETARY-GENERAL

1. The General Assembly, by its resolution 724 B (VIII) of 7 December 1953, invited Governments of States Members of the United Nations and of the specialized agencies in the economic and social field to transmit to the Secretary-General their detailed comments both on the recommendations contained in the Report on a Special United Nations Fund for Economic Development^{1/} prepared by the Committee of Nine appointed in pursuance of Economic and Social Council resolution 416 A (XIV), and on the degree of moral and material support which may be expected from them for such a fund.
2. In accordance with the General Assembly's request that the comments of Governments should be circulated as soon as possible, the present document contains the comments received as at 30 April 1954.
3. Replies from other countries will be issued as addenda to the present document as they become available.

^{1/} Document E/2381, United Nations Publication, Sales No.: 1953.II.B.1.

II. COMMENTS OF GOVERNMENTS

1. BELGIUM

12 March 1954

Original: French

I. GENERAL PRINCIPLES

The present note is the Belgian Government's reply to the invitation to Governments contained in resolution 724 B (VIII) of 7 December 1953. It accordingly contains the Government's comments on:

1. The recommendations contained in the report of the Committee of Nine;
2. The degree of moral and material support which may be expected from it for such a fund.

Before dealing with these two points, however, the Belgian Government considers it necessary to state its position with regard to the general problem of financing the economic development of the under-developed countries.

It is deeply aware of the scope and importance of the problem, which has rightly been a matter of primary international concern since the end of the war.

Among other international institutions, the United Nations and its specialized agencies, OEEC and the Council of Europe have considered the question at length on several occasions and have already established a number of agencies in this field.

Development programmes such as the Colombo Plan, the French Union plans and the ten-year plan for the Belgian Congo and Ruanda-Urundi have been prepared by various groups of politically associated territories which include under-developed areas.

International private organizations, such as the International Chamber of Commerce and the European Movement, have given constructive consideration to the question of assistance to under-developed countries. In early February the Westminster economic and social conference gave special attention to the problem.

The Belgian Government is, of course, doing more than merely following the matter with sympathetic interest. It is carrying out a ten-year plan of economic and social equipment in a vast territory with a rapidly increasing population.

Assistance to under-developed countries is an exceedingly vast and complex question with wide implications.

While recognizing the importance and value of the establishment of a special fund of the kind proposed, the Belgian Government wishes to emphasize that, whatever the resources of the fund, it can never be more than a part of the general machinery. It could only be one instrument among many.^{1/}

It would therefore be wrong to discuss the fund without considering the whole question of assistance to under-developed nations.

The object must be the mobilization of the largest volume of capital possible in order to secure "... a more rapid economic development of under-developed countries, in particular an increase of production, (which) is essential for raising the level of productive employment and the living standards of their populations, for the growth of the world economy as a whole and for the maintenance of international peace and security" (General Assembly resolution 400 (V) of 20 November 1950).

In order to achieve such broad objectives, it is absolutely essential to be able to rely both upon the flow of private capital, invested directly or through the agency of national or international organizations and upon State financial assistance, made available under bilateral agreements or through international agencies. In particular, it must be possible to make non-self-liquidating investments complementary to self-liquidating investments.

Whether the assistance of private capital is essential or merely desirable, the under-developed peoples should be protected against financial and social

^{1/} This view has already been stated by the Belgian representatives before the Economic and Social Council and the General Assembly. On each occasion, stress has been laid on the absolute necessity of making use of all the methods of financing available in the modern economy and on the supplementary character of any special fund that might be established. The conciliatory and constructive part played by the Belgian delegation in the discussions that led to the adoption of resolution 724 B (VIII) at the last session of the General Assembly will be remembered.

exploitation of all kinds and against direct or indirect political interference. It is, however, equally necessary that the investment of private capital should be encouraged by being afforded protection and genuine safeguards. In the interests of all concerned, this method of financing calls for the introduction of a code for private capital invested abroad.

In the light of this realistic statement of the problem, it follows that assistance to under-developed nations should comprise a whole set of mutually complementary institutions such as:

- A code of private capital as referred to above;
- Bilateral agreements between industrialized and under-developed countries;
- Technical assistance;
- International Bank for Reconstruction and Development;
- International Finance Corporation;
- Special Fund.

Considering the problem from this point of view, there are in effect two codes, viz. a code of private capital and a code of government credit, both direct and indirect, for economic and social development.

It follows without question that the special fund, whatever its future importance, is merely a complementary factor. The Belgian Government wishes, moreover, generally to stress the complementary character of each component of such an arrangement, for unless the system for providing assistance did not include each one of these elements, in such form as might eventually be determined, then the establishment of the special fund would, in the Belgian Government's view, be an incomplete measure, incapable of solving the problem.

The present emphasis on the special fund should not be allowed to obscure the other aspects, but should on the contrary bring out the complementary character of all methods of financial assistance, because the fund will be of real value only if it serves to initiate or supplement economic projects which are self-liquidating in the true sense of the term, projects which, in other words, are highly productive.

In many areas of the world the special fund alone could not provide complete financing that would in every case ensure the development of an entire region. It would, however, perform a useful function if it could be limited to basic investment or to social investment complementary to industrial development.

It therefore appears that the fund, at least as at present conceived, cannot be separated from the other elements and that its functions and powers must accordingly be precisely defined so that it will be a truly specialized institution and will not duplicate other methods of finance that it may be expedient to develop, promote and guarantee by joint agreement.

The Belgian Government therefore believes that the special fund should be available only for investments that are very necessary for development but are not directly self-liquidating. It should be a body that is supplementary as to financing but basic as to the type of investment which it makes possible. It would be supplementary in that it would be used only when other means of finance were not available, and it would be basic because it would inevitably concern basic investments (such as a road or irrigation system) or social investments (hospitals, schools, sewerage systems etc.).

Such are the principles relating to a general policy of assistance to under-developed peoples and, in turn, to the special fund, which form the basis for the replies to the two questions contained in the resolution.

II. ANALYSIS OF THE RECOMMENDATIONS CONTAINED IN THE EXPERTS' REPORT

The Belgian Government gives below its views on those recommendations of the experts which in its opinion call for comment. The recommendations which are not commented upon here have the approval of the Government.

1. Nature of the contributions

The Belgian Government agrees with the conclusions reached by the experts. The many advantages offered by the capital subscriptions method are clearly undeniable; apart from the advantages considered in the report, that method would represent a very real guarantee of the independence of the director-general and the administrators of the fund in the exercise of their functions by shielding them against political pressures and economic fluctuations from various sources, both national and international. Since, however, the disadvantages in this matter clearly outweigh the advantages, a method of annual contributions of the sort recommended is to be preferred.

The Belgian Government believes, however, that it should comment on the arrangements proposed by the experts for the initial period.

An initial period of two years is envisaged, at the beginning of which one-quarter of the annual contributions originally pledged would be paid. In addition, Governments might be recommended to express, either by pledging further specific contributions or by policy statements (depending upon their constitutional requirements), their continuing support of the fund for a longer period (paragraph 31). It is further proposed that total pledges or policy statements should cover a total initial period of three years.

In this connexion, the Belgian Constitution provides that "the Chambers shall each year adopt the Finance Act and vote the budget" (article 115). Thus the principle of an annual budget is written into the basic law of the Belgian State. The public revenue and expenditure for each financial year are authorized by the annual finance Acts and constitute the general budget of the State.^{2/}

Belgian budgetary law thus imposes certain restrictions as regards the recommendations of the experts.

This does not however prevent the Government from entering into commitments of a purely political nature under which it would request the Chambers to appropriate at the desired time amounts sufficient to cover such financial participation as Belgium might appropriately undertake.

2. Convertibility into other currencies and convertibility into needed commodities and services

The Belgian Government trusts that the following recommendations by the experts will be faithfully observed:

Contributions should be made "in the form of deposits of local currencies, to be convertible into other currencies only to the extent that the contributing Governments permit such conversion" (paragraph 46);

With regard to the restricted or unrestricted use of subscriptions to the fund "the contributions of a country in its local currency should be available

^{2/} The review of constitutional provisions about to be undertaken by Belgium will not affect this principle in any way.

for the purchase of any goods and services obtainable in that country, except to the extent that the Government of that country feels obliged, for good and sufficient reason, to restrict the use of its contribution in respect of the purchase of specific goods and services. Where a contributing country permits the conversion of its local currency contribution into other currencies, Governments of countries into whose currencies such contributions are convertible may similarly restrict the range of commodities and services available to the fund" (paragraph 51).

Any contribution by Belgium would ordinarily be available only in its own local currency. This attitude is fully justified by Belgium's intention to maintain its financial and monetary position in accordance with a rigorous policy to which its credit institutions are still closely bound.

Furthermore, Belgium's economic structure is extremely diversified owing to its need to produce a variety of goods for the export trade, which takes about 40 per cent of its total production.

The Belgian Government therefore considers itself justified in suggesting that consideration be given to the feasibility of States contributing capital goods to the fund.

Such contributions could be made in the light of the specific programme of the countries requesting assistance from the fund.

In accordance with this arrangement given programmes might be carried out through a systematic pooling of the contributions in kind of various countries. Such schemes might also conceivably become efficient instruments of an anti-cyclical policy.

3. The supplementary nature of the fund

The Belgian Government has noted with great satisfaction that the supplementary and complementary nature of the fund has been explicitly stressed in many places in the experts' report, as, for example, as follows:

(a) The view that, despite the existence of other agencies or institutions, "non-commercial capital in the form of grants-in-aid or long-term, low-interest loans" are in many cases required has been taken as a fundamental premise of the report (paragraph 18);

(b) With regard to the principles relating to the operations of the special fund, the purpose of these operations is expressly stated to be to supplement the total resources available to such countries as are unable to afford the investment necessary to raise standards of living and support the process of economic growth (paragraph 70);

(c) Governments wishing to receive assistance from the fund will have to show, among other things, "that other means of external financing are either inappropriate or have proved unavailable in whole or in part" (paragraph 81);

(d) The long-term, low-interest loans envisaged as one of the methods of assistance from the fund "would, in any case, not be made for self-liquidating projects or others for which finance from existing international lending institutions can be obtained" (paragraph 108);

(e) The attendance of representatives of the Secretary-General of the United Nations, the International Bank, the International Monetary Fund and the Technical Assistance Board at meetings of the executive board of the fund is explicitly contemplated (paragraph 155).

As already stated above, the Belgian Government considers that the financing of assistance to under-developed countries can take many mutually complementary but non-competitive forms.

The fund is one of those forms and deserves consideration by reason of its complementary nature. In the general interest, however, the other forms should also be utilized under such conditions as will not reduce their scope or effectiveness.

In this regard it would be particularly desirable if, in connexion with the thorough consideration being given by Governments to the proposed establishment of the special fund, the appropriate international organizations gave attention to the steps that might be taken to give effect to recommendations concerning the treatment of private capital invested in foreign countries.

One effort in this direction is the International Code prepared by the International Chamber of Commerce^{3/} as an aid in removing many impediments to

^{3/} International Chamber of Commerce: Fair treatment for foreign investments - International Code - Brochure 129 - August 1949.

Foreign investment, such as political insecurity, exchange control, inconvertibility of currencies, expropriation and nationalization policies etc.

For this purpose the Code provides for "the provision of civil, legal and fiscal safeguards" (Preamble). One of its most important provisions appears in article 11: "The property of investors who are nationals of the other High Contracting Parties shall in no circumstances be liable to measures of expropriation or dispossession except in accordance with the appropriate legal procedure and with fair compensation according to international law".

Along these same lines, the recent Economic Conference of Westminster of the European Movement adopted a resolution providing specifically that "voluntarily invested capital must be guaranteed as far as possible against expropriation without fair compensation, in order to encourage private initiative to the full".^{4/}

On the other hand, the under-developed countries should, of course, be given certain guarantees with regard to private capital investments so as to prevent such investments from being accompanied or followed by any kind of direct or indirect political interference or serving as a basis for anti-social exploitation.

4. Under-developed countries

The report of the Committee of Nine is based on the premise that the only beneficiaries of the fund would be the "under-developed countries".

The Belgian Government has wondered to what extent it might be desirable to broaden this fundamental concept.

There are some countries which must undoubtedly be regarded as under-developed although from the scientific viewpoint, which is indispensable in such matters, none of the definitions of "under-developed country" thus far given is entirely free from ambiguity.

Widely differing conditions do, however, exist:

One or more regions of a country may be under-developed;

A group of neighbouring countries may be under-developed or may include portions of an under-developed area.

^{4/} Resolution on expansion of production (seventh paragraph).

There is accordingly good reason for wondering whether in the experts' report and in the statute of any special fund which might be set up the expression and the notion "under-developed countries" should not be replaced by "under-developed regions".

There is, after all, no good reason why the fund should not serve under-developed regions just as well as under-developed countries. Moreover, the extension of the fund's services to a group of countries might assist projects equally favourable to the various national economies and thus pave the way for complementary action and economic integration. The report itself directly refers to this possibility when it states that "among the special types of project which may be given priority are projects of immediate benefit to several countries" (paragraph 101).

However, whether the grants or loans are intended for an under-developed country or for one or more regions of under-developed countries, the persons in charge of the fund should carefully consider whether the country or countries in question have themselves made or are making the greatest possible effort to promote the economic development of the regions concerned.

The experts' report repeatedly stresses this requirement in such passages as the following:

"The economic development of the under-developed countries must, first and foremost, be the concern of such countries themselves" (paragraph 16);

"...Governments seeking assistance should strive for the effective mobilization and utilization of their internal and external resources for economic development" (paragraph 63);

"An application, in view of the principle that assistance from the fund must be supplementary to a country's own efforts, should also be accompanied by information sufficient to show that the country has taken, or is taking, steps to utilize its own resources for economic development" (paragraph 80).

5. Private contributions

The experts recommend that "the administrators of the fund should be authorized to accept non-governmental or private contributions in addition to contributions by Governments" (paragraph 29). Appeals for that purpose would also be permitted, and the fiscal incentives provided by Governments would encourage the flow of such contributions.

Aside from these references, the report makes no mention of contributions of this type, either as regards the particular purpose for which they might be used or as regards the control and administration of the fund.

The Belgian Government feels justified in interpreting this to mean that private contributors of capital would have no statutory power.

It feels, however, that the fund's statute should make specific reference to this absence of private rights.

6. Use of the fund's resources: criteria to be applied during the initial phase of its activities

One of the criteria adopted is the necessity of giving priority to "special types of projects" (paragraph 100), among which "the following may be expected to be particularly important: projects designed to increase food production and thus help relieve the world food shortage; projects relating to land use arising from measures of land reform; projects designed to promote mutually beneficial trade between countries; and projects of immediate benefit to several countries" (paragraph 101).

The Belgian Government fully endorses the projects listed, but, although it is aware that the enumeration is not intended to be exhaustive, it proposes the addition of projects designed to provide the under-developed countries with basic facilities (power, transport, public health).

III. BELGIAN POSITION ON MORAL AND MATERIAL
SUPPORT FOR THE SPECIAL FUND

The Belgian Government wishes first to point out that one of Belgium's economic activities has been the provision of facilities and equipment for countries in the process of industrialization.

1. Private Belgian investments abroad

It is not irrelevant to recall that up to the First World War, Belgium had shown a continuing concern for the problems related to the advancement of States and regions whose development had not benefited from the economic expansion of the nineteenth century.

Many enterprises were in consequence established abroad with Belgian capital, and this trend has assumed such proportions that at the outbreak of the First World War Belgian foreign holdings amounted to approximately 7,000 million gold francs.^{5/}

This figure represented more than 30 per cent of the industrial, agricultural and commercial floating capital of the country and more than 13 per cent of its total wealth.

As a result of the steps taken by the Western world after the 1914-1918 war to bring about financial stability, Belgian capital resumed its movement abroad despite considerable losses incurred mainly because of political events.

Thus, in 1930, a "conservative estimate" put Belgian foreign capital at 50,000 million francs,^{6/} which, taking into account the devaluation of the Belgian franc, represented a slightly higher level than the 1914 mark of 7,000 million gold francs.^{7/}

In any case, despite the negative influence on savings exerted by conditions between the two world wars, the Belgian tradition of foreign investment apparently remained active.

5/ F. Baudhuin: Le capital de la Belgique et le rendement de son industrie, 1924, page 66.

6/ F. Baudhuin: "La fortune de la Belgique". Bulletin d'information et de documentation de la Banque Nationale de Belgique, 25 June 1930, page 439.

7/ In 1930 the Belgian franc was worth 0.144123 in terms of the 1914 franc. On this basis, foreign holdings in 1930 represented about 7,200 million gold francs.

Although the movement of private foreign investment has diminished since the last world war, its present volume is by no means negligible.

1948	1949	1950	1951	1952 ^{8/}
1.99	1.88	8.85	5.56 ^{a/}	4.07 ^{b/}

(in 1,000 million Belgium francs)

a/ Including investments of 1,195 million francs in the Belgian Congo and Ruanda-Urundi.

b/ Including investments of 1,030 million francs in the Belgian Congo and Ruanda-Urundi.

2. Costs assumed by Belgium in the Belgian Congo and Ruanda-Urundi

Although, generally speaking, the spontaneous movement of Belgian capital abroad has slackened, Belgian activities in the Congo and Ruanda-Urundi have never been as extensive as in recent years.

In the Congo, Belgium is merely continuing a policy, the broad outlines of which were sketched in 1885 in the General Act of the Berlin Conference as follows: "All powers ... engage themselves to watch over the conservation of the indigenous populations and the amelioration of their moral and material conditions of existence". In Ruanda-Urundi, Belgium is pursuing a policy which respects the undertakings originally assumed with regard to the League of Nations and renewed in 1944 with regard to the United Nations.

In 1948, the Belgian Government took the initiative in preparing a ten-year plan of economic and social development for these two separate political entities, the purpose of which was to provide them with a complete system of public services and to ensure a harmonious industrial and agricultural development. The basic purpose of all these measures is to make possible a substantial improvement in the standard of living of the indigenous inhabitants.

^{8/} Source: Ministry of Economic Affairs - Reports on the Belgian economy from 1948 to 1952. (Figures relate to the Economic Union of Belgium and Luxembourg.)

In the plan for the Belgian Congo, Government contributions are estimated at 25,000 million Belgian francs and private contributions at 30,000 million. Government investments in Ruanda-Urundi will amount to approximately 3,500 million Belgian francs.

It should be noted that the figures here do not represent budget estimates accurately computed after a full examination of all the factors involved in carrying out the projects, but are rather general estimates based on preliminary studies and thus necessarily incomplete.^{9/}

BELGIAN CONGO
 (in millions of francs)

1.	Water supply		1,052	a/
2.	Indigenous housing		1,900	
3.	Hygiene and medical facilities		1,978	
4.	Indigenous education		1,838	
5.	Immigration and settlers		586	
6.	Transport:			
	water	4,385)		
	road	6,100)		
	rail	1,263)	12,712	a/
	air	964)		
7.	Public services:			
	Town planning and public works	1,200)		
	Storage and preserving of products	250)		
	Cartography and geodesy	112)		a/
	Geology and hydrology	25)	1,865	a/
	Meteorology	28)		
	Telecommunications	250)		
8.	Electricity		1,909	a/
9.	Agricultural development:			
	Scientific research	339)		
	Soil conservation	154)		
	Indigenous agriculture	625)	1,388	
	Indigenous stock-breeding	180)		
	Fisheries and fish breeding	90)		
			25,228	

a/ Expenditure partially recuperable over the ten-year period.

9/ Ministry of Colonies. La situation économique du Congo belge en 1952,
 page 221.

RUANDA-URUNDI
 (in thousands of francs)

Public health	497,656
Education	210,848
Social and cultural services	67,760
Road transport	1,025,070
Water transport	61,800
Air transport	161,523
Town planning	1,500
Storage and preserving of products	20,000
Cartography	61,400
Meteorology - telecommunications	34,623
Geology	840
Hydrology	147,045
Agriculture	141,872
Forestry	2,600
Stock-breeding	106,506
Fisheries and fish-breeding	19,200
Mining	9,700
Water supply	428,645
Industrial and commercial development:	
<u>Office de valorisation</u> (Development Board)	4,800
Electrification of Ruanda-Urundi	300,000
<u>INEAC (Institut national pour l'étude agronomique du Congo belge)</u> (Belgian Congo National Institute for Agronomic Studies)	92,550
<u>IRSAC (Institut pour la recherche scientifique en Afrique centrale)</u> (Institute for Scientific Research in Central Africa)	26,250
	3,422,188

The part played by Belgian private capital in investments in the Congo and Ruanda-Urundi during the last two years for which complete figures are available^{10/} was as follows:

	(in millions of Belgian francs)	
	<u>1951</u>	<u>1952</u>
Current and capital expenditure for foreign investment	5,561	4,065
of which in the Belgian Congo and Ruanda-Urundi	1,195	1,030
	i.e. 21.48 per cent	i.e. 25.33 per cent

With regard to public investment, the table below shows commitments and disbursements under the budget appropriations relating to the ten-year plan in the Belgian Congo.

A. COMMITMENTS ^{a/}

Appropriations authorized up to and including 1953 (1)	Before 1951 (2)	1951 (3)	1952 (4)	1953 (first six months) (5)	Total as of 30 June 1953 (6)	(6) In relation to (1)
	<u>3,033</u>	<u>5,217</u>	<u>4,411</u>	<u>3,091</u>	<u>15,752</u>	56.7 per cent

B. DISBURSEMENTS

27,796	<u>1,732</u>	<u>2,944</u>	<u>4,283</u>	<u>2,694</u>	<u>11,652</u>	41.9 per cent
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Source: Bulletin de la Banque Centrale du Congo belge et du Ruanda-Urundi, October 1953, No. 10, page 328.

^{a/} It should be noted that some of the figures shown are approximate or estimated.

It will be noted that these data generally reflect an extremely favourable trend. In Ruanda-Urundi the Plan was first put into operation in 1952:

	<u>Francs</u>
Transport	101,970,000
Scientific equipment and public services	121,789,000
Water supply	83,754,000
Indigenous education	60,160,000
Hygiene and medical facilities	10,780,000
Agricultural development	32,408,000
TOTAL	<u>410,861,000</u>

It is thus apparent that in performing the duties which it has assumed or with which it has been entrusted, Belgium clearly adopts a very liberal policy towards the economic and social interests of the indigenous peoples.

It is likewise apparent that that policy closely adheres to the programmes and recommendations repeatedly put forth by specialized international agencies with a view to the economic development of the under-developed countries.

Belgium, after all, is only continuing the efforts initiated in the Congo in 1908 and in Ruanda-Urundi in 1919.

The efforts which Belgium has made and proposes to make are obviously likely to restrict its capacity to contribute to new organizations such as the special fund.

Nevertheless, Belgian public opinion is sympathetically disposed towards any concrete measures which might promote general world development. Very recently^{11/} the Belgian Senate, having been apprised of the agreement concluded under United Nations auspices between Norway and India, adopted a resolution expressing the wish "that the Government, in co-operation with the competent United Nations organs, should study the possibility of organizing a special programme for the benefit of economically under-developed countries".

The Government, without taking any final position on this resolution, considers, in the light of the general principles which it has developed, that this form of assistance offers numerous advantages and merits consideration.

3. Financial burdens resulting from rearmament

The international responsibilities devolving on Belgium are not confined to those which it has assumed in the Belgian Congo and Ruanda-Urundi.

World political developments have constrained it to divert to non-productive expenditure substantial resources which, as it is well aware, could be devoted to more desirable ends.

It is nevertheless quite clear that the international situation, which obliges Belgium to devote each year to rearmament an amount equal to one-fifth of its ordinary and extraordinary budgets is not of its own making.

^{11/} On 2 December 1953.

This state of affairs is regrettable for a number of reasons. Besides diverting substantial resources to unproductive ends, it obliges the State to impose a strict fiscal policy. Such measures have inevitable repercussions on the supply of capital available to the private sector, which predominates in the national economy.

Belgium, in common with all other States, would be highly gratified by circumstances which, by diminishing or even suppressing the causes of the unsatisfactory international situation, would provide not only a fresh and effective impetus to its own development but also an opportunity for increased co-operation in international efforts for the development of the under-developed countries, including the Belgian Congo and Ruanda-Urundi.

4. European integration

Belgium has likewise joined in the movement which, since the end of the Second World War, has tended towards progressive European integration.

A considerable number of social, political and economic arguments militate in favour of such an undertaking.

Side by side with government action, private circles have also evinced an interest in the problem. The second European economic conference at Westminster devoted a substantial part of its work to an examination of this question, as shown by the resolutions adopted.

The purpose of investment was there stated in its dual aspect as follows:

(a) "In Europe, the purpose of such investment is to raise the general level of productivity, to meet the most urgent social needs, especially by building houses, and to contribute to the economic development of those European countries which have not yet reached the standard of living of the other Western nations";

(b) "In the overseas territories, European countries should continue to provide a considerable volume of investment with a view to increasing the standard of living of the population and thus associating them as closely and effectively as possible in the task of European co-operation" (resolution on investments, item 2, paragraphs 2 and 3).

It was in that spirit that the same resolution expressed the desirability of establishing, under OEEC auspices, a "European Investment Institute", the functions of which would be:

"To put forward plans for investments which are of common interest;

"To eliminate obstacles in the way of common action in investments, e.g. measures of double taxation, the difficulty of transferring capital and dividends, discriminatory measures with regard to laws relating to foreigners and to domicile, to commercial undertakings and limited companies, international law and fiduciary issues".

The Institute would study:

(a) The advisability of establishing an organization such as a European Investment Bank, together with the functions with which it would be entrusted;

(b) The advantages which might arise from an international code for European limited companies, a European institute for providing guarantees for investors, or "external investment trusts".

It should be stressed that the Conference also expressed the desire that special attention should be given to certain European countries on the Mediterranean whose economic situation is particularly serious. According to the Conference, exhaustive study of that situation would soon reveal the need for establishing, for the benefit of those countries, a solidarity fund, "with speedy aid, which would enable them to achieve their economic development".

Consequently, the progress already made in the preliminary studies obliges Belgium to provide for eventual participation in such European organizations as might be set up to provide for certain investments.

5. Level of domestic investment

The Belgian Government feels justified in showing concern for the continued development of its national economy. This means that it must not only give attention to problems which require its assistance but also anticipate the economic ills which might result from a substantial reduction in arms expenditure.

The measures which it has adopted or might adopt have been explained in detail in its replies to:

The questionnaire on full employment, the balance of payments and economic development;

Economic and Social Council resolution 483 (XVI).

It will be observed, however, that in its endeavours to provide for a constant increase in the national income, on which full particulars are not yet available, Belgium tends to lag in domestic investment, as evidenced by the numbers of unemployed.

Assessed at current prices, the total value of gross investment (excluding stocks) "seems to have reached 65,900 million francs in 1952, as against 59,600 million francs in 1951", which represents an increase of 6,300 million francs. Nine-tenths of this increase is the result of heavier expenditure on military equipment. Thus, "the participation of the public sector in total investment" is constantly on the increase:^{12/}

1950	30.8 per cent
1951	31.9 per cent
1952	38.1 per cent

Consequently, many of the measures decided upon or envisaged by the Government are aimed at promoting private domestic investment.

The Government must in addition carefully husband the resources which in the event of a sharp recession would, through an appropriate public investment policy, enable it to anticipate or remedy a decline in total demand.

IV. CONCLUSIONS

On the basis of the general principles explained in the first part of this note and of a long and ever-lively tradition of active and constructive participation in the development of areas undergoing modernization, the Belgian Government feels bound, from the moral viewpoint, to give an affirmative answer to the request for its support in the elaboration of a general policy and international measures for promoting the economic and social advancement of under-developed areas.

^{12/} Ministry for Economic Affairs. L'Economie belge en 1952, page 275.

With regard in particular to the proposed special fund, the Belgian Government is therefore prepared to offer its support if the fund is established in accordance with the conclusions of the report of the Committee of Nine and with the conditions laid down in the second part of this reply, which are reviewed, clarified and supplemented below.

It is, of course, understood that Belgium's adherence to the special fund will become effective only if at least twenty-nine other States (as provided in the report) accede thereto on the same general conditions. Those twenty-nine States should obviously include the principal industrial countries, and in any event the United States of America. The effect of American policy on the world economic and financial situation is in fact so great that, at least in the opinion of the Belgian Government, the fund would not be fully effective without United States support. That is a question of fact.

Moreover, a minority of the world's industrial potential could not conceivably be regarded as capable of alone meeting the development requirements to be provided through the special fund.

Since the Government firmly adheres to the principle, as proposed by the experts, that contributions should be of a "voluntary" nature, Belgium's material contribution would be determined with regard to the following factors, the importance of which has been amply justified in this note:

(1) The advisability of permitting a reasonable volume of private investment along with the other forms of financing the under-developed areas. The Belgian Government feels that it has demonstrated the need for setting up a comprehensive system which would appeal to all possible forms of investment. In this connexion, consideration should be given to the needs of the proposed international finance corporation, to the desirability of bilateral agreements, and to direct investment of private capital (subject, as stated above, to the adoption of a code not only to protect the under-developed peoples against political interference and economic exploitation, but also to safeguard the capital invested and income it yields).

(2) The duty, in line with Belgian policy, to accord priority in economic and social development to the peoples of the Belgian Congo and Ruanda-Urundi.

(3) The trend of expenditure on armaments (Belgium supported General Assembly resolution 724 A (VIII), according to which a portion of the savings achieved through disarmament would be devoted to assist the under-developed countries in the manner envisaged by that resolution).

(4) The possibility of a concerted effort by European countries to assist under-developed or disaster-stricken areas in Europe itself.

(5) The need to provide for the investment required for economic and financial stability and a higher level of employment in Belgium itself, as has in fact been advocated by international agencies specializing in the economic field.

(6) The Economic Union of Belgium and Luxembourg is now a substantial creditor within the European Payments Union, to the extent of over 230 million units of account (dollars).

These are the factors which will necessarily influence the Belgian Government in determining its contribution to the special fund. Apart from these factors, the contribution would, by reason of Constitutional provisions, have to be voted annually by Parliament.

The Belgian Government's adherence to the special fund would also be subject to the following functional conditions deriving generally from the report of the Committee of Nine:

1. Contributions should be voluntary and annual (it being, of course, understood that every effort must be made to enable the fund to plan sufficiently far into the future).

2. The Belgian francs placed at the disposal of the fund will not be convertible without the consent of the Belgian Government and may as necessary be restricted, on the Belgian market, to the purchase of specific commodities which, of course, will be of value to an investment plan approved by the special fund and be sold on normal terms.

3. The fund should be a supplementary form of finance to be employed only when the other financial aids within the system of which it is a part have been shown to be inappropriate.

4. If private subscriptions to the fund are allowed, they should not confer any statutory power as regards the administration of the fund.

The Belgian Government feels, however, that private subscriptions should ordinarily be confined to the other forms of financing.

5. The fund should specialize in investments which are not directly self-liquidating, whether basic investments as referred to in this note or investments supplementing basic investments.
6. Assistance from the fund should take the form of grants or loans made on special conditions consistent with the social purpose of such assistance and distinguishing the fund from agencies granting credit on "commercial" or ordinary financial terms.
7. The establishment of the fund must not contribute to the development of an international bureaucracy but must be organically, or at least functionally, integrated with existing bodies. In any event, the Belgian Government urges that this aspect of the question, which was not adequately treated by the experts, should be examined.
8. The Belgian Government considers that the fund should have power to prevent the adoption by countries receiving investment assistance of an exaggerated protectionist policy for their incipient industries. Such a policy would cause the fund to be a restrictive element in international trade. The Belgian Government furthermore concurs with the recommendation of the experts that Governments wishing to receive assistance from the fund "should, within the framework of their general economic policies, develop fiscal and monetary policies adequate for their needs, and should endeavour to keep inflationary pressures under control" (paragraph 63).

The Belgian Government feels that it has thus given a clear and constructive reply to the two questions contained in General Assembly resolution 724 B (VIII) of 7 December 1953.

2. BOLIVIA

20 January 1954

Original: Spanish

The Ministry for Foreign Affairs presents its compliments to the Secretary-General of the United Nations and has the honour to refer to his note ECA/170/10/02 (1) of 23 December, concerning resolution 724 B (VIII), entitled "Economic development of under-developed countries", adopted by the General Assembly at its eighth session, on 7 December.

The Ministry for Foreign Affairs has noted that that resolution deals with the establishment of a special fund for grants-in-aid and for low-interest, long-term loans.

The Ministry for Foreign Affairs wishes to inform the Secretary-General of the United Nations in this connexion that the Supreme Government, which is anxious to bring about a diversification of national production, will transmit its comments on the recommendations contained in the report of the Committee of Nine. Bolivia feels bound to lend its full moral support, as it is one of the less-developed countries and stands in urgent need of international co-operation to develop its vast natural resources.

The Ministry for Foreign Affairs, in response to the Secretary-General's request, is drawing the attention of the bodies concerned to his note ECA/170/10/02 (1), resolution 724 B (VIII) and the above-mentioned report (E/2381), in order that they may make their respective comments before 31 March of this year.

3. CANADA

29 March 1954

The Secretary of State for External Affairs presents his compliments to the Secretary-General of the United Nations and has the honour to refer to the Secretary-General's note ECA/170/10/02 (I) of 23 December 1953, requesting, in accordance with General Assembly resolution 724 B (VIII), the detailed comments of the Canadian Government both on the recommendations with respect to a special United Nations fund for economic development, contained in the report of the Committee of Nine (E/2381, 18 March 1953), and on the degree of moral and material support which may be expected from the Canadian Government for such a fund.

2. Canada's interest in the economic development of the economically less developed countries of the world is well known. The real assistance which Canada has given, and is giving, to help these countries in their own efforts to improve economic conditions and the standard of living of their peoples is a matter of record. The contributions which Canada has made through the International Bank for Reconstruction and Development, the United Nations Technical Assistance Programmes, the Colombo Plan and United Nations reconstruction and relief programmes are tangible evidence of the concern of the Canadian people for the betterment of the economically less well developed countries of the world. These substantial contributions have been provided at a time when heavy calls are being made on available Canadian resources for domestic development and for necessary defence purposes.

3. As recognized by the General Assembly in resolution 520A (VI), "the economic development of under-developed countries depends primarily upon the efforts of the peoples of those countries". At the same time, it is clear that these countries are not able to mobilize sufficient resources to carry out their development at a desirable rate, and that some external help is necessary. It is also clear that in existing conditions the required amount of external assistance is not being provided by a natural flow of private investment from other countries. In the circumstances the Government of Canada has wished to help, and has made appropriate contributions through existing agencies and

programmes. It is recognized that much remains to be done in co-operation with the under-developed countries to improve their standards of living. Accordingly, the Canadian Government is in principle prepared to join with other countries in a position to help, in support of the eventual establishment of an international development fund. In this connexion, it will be recalled that, on 26 October 1953, the Canadian representative stated in the debate on economic development in the Second Committee of the General Assembly, "we recognize the desirability when the time is ripe of establishing some form of international fund within the framework of the United Nations to give further assistance to the financing of development in parts of the world where this is necessary". To this end, Canada joined with others in support of the Declaration, contained in resolution 724 A (VIII), whereby the Members undertook to ask their 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.

4. In the light of the discussion of the proposals for an international development fund at recent sessions of the General Assembly, and in the Economic and Social Council, the Canadian Government has carefully considered whether the time appears yet to be propitious for the establishment of a fund of this kind. In this connexion, note has been taken of the considerable urgency which many Member Governments attach to this question. In its study of this important matter, the Canadian Government has come to the conclusion that it would be practicable and worth while for a fund to be set up only when the countries mainly concerned are prepared to make resources available, additional to those already being channelled to the under-developed countries to assist their development. It would seem doubtful that the under-developed countries would themselves wish to see funds diverted to an untried special fund at the expense of the assistance which is now being effectively given through the International Bank, the United Nations technical assistance programmes, the specialized agencies, and under the Colombo Plan and other bilateral programmes.

5. Latterly, most of the countries which might be expected to make the major contributions have indicated that they are not yet willing or in a position to provide substantial new resources for an international development fund. Until circumstances, including progress in disarmament, are such that these countries are able to provide such additional resources, on a scale which would make the operations of an international development fund worth while, the Canadian Government considers that it would be inadvisable to set up such a fund, and would not itself be prepared to contribute thereto. The Canadian Government is, of course, continuing to contribute to the development of the materially under-developed countries of the world through the existing channels.

6. The decision about the amount of resources which can be devoted to assistance for the under-developed countries must rest primarily with the countries providing such resources. There would appear to be a danger that efforts made to persuade countries to contribute additional resources to an international development fund before such countries are themselves prepared and able to do so, may prejudice the goodwill and support which now exist for the eventual establishment of an international development fund.

7. Other factors besides the provision of external financial assistance are, of course, of great importance in the field of development. To be most useful, such aid should be accompanied by the further improvement and development of sound financial and commercial policies, well conceived investment programmes, equitable and efficient tax systems, mobilization of domestic savings and efficient administration. To the extent that progress is made in these fields by the less-developed countries and to the extent they are prepared to forge ahead in their development by their own efforts, the outlook for a natural flow of private investment from other countries and for further grant and loan assistance through existing channels, or through the proposed international development fund, will be improved.

REPORT OF THE COMMITTEE OF NINE

8. The Canadian Government does not believe that at this stage, when the circumstances in which a special fund may eventually be expected to operate cannot be foreseen, it would be useful to comment in detail on all the many

recommendations contained in the report of the Committee of Nine. Nevertheless, there are certain preliminary observations of a more or less general character which can be made at this time. These observations are submitted without prejudice to any comments and suggestions which the Canadian Government may wish to make on the structure, organization and administration of any fund, at a future time, when more is known about the conditions which may prevail when such a fund may be established. The fact that observations are not submitted on many of the individual recommendations in the report should not be taken to mean that the Canadian Government necessarily agrees with such recommendations. Moreover, it should be understood that in making the following comments the Canadian Government is in no sense committed to the particular type of fund proposed by the Committee.

Nature of contributions to the operational budget

9. It is agreed that contributions to the operational budget of any international development fund should be voluntary and pledged by governments according to their own assessment of their ability to contribute. In determining the size of its contribution to such a fund, the Canadian Government would necessarily have regard, not only to its economic capacity, to the savings which may result from reductions in defence expenditure and to the other high priority claims on its resources, but also to the degree of material support which other contributing and receiving countries are prepared to accord to a fund and to devote to development generally. There would be no objection to an international development fund accepting non-governmental contributions, and appealing for such contributions.

Initial minimum of operational resources

10. It is agreed that an international development fund should not be established until a minimum amount which would permit the financing of initial operations at a reasonable level has been pledged by contributing countries and a substantial portion of such amount can be made freely available to the fund. It is considered that the precise amount which should be regarded as the necessary minimum could be better judged closer to the time when a fund is likely to be brought into being.

It would appear inadvisable for a fund to be established until most of the countries which might be expected to contribute have signified their willingness to do so on an adequate scale.

Principles and policies concerning governments to be assisted by a fund

11. In general, the suggestions made under this heading are acceptable. However, with respect to the recommendation in paragraph 80, it is thought that recipient Governments might be expected to provide an appropriate part of the finance for each of the projects assisted from the fund. In the Canadian view, Governments receiving assistance should participate financially in each scheme for which aid is to be provided in order to emphasize the co-operative nature of the activities of the fund, to facilitate relations with the local authorities and to emphasize that the particular project is regarded as urgent and important by the recipient country and forms part of a consistent and integrated development programme. It is not considered that these objectives would be secured if the relationship of the recipient governments to individual schemes was only financial participation in "related projects, or in other sectors of economic development".

Principles and policies concerning the operations of a fund

12. It is agreed that assistance from a fund should be given only to Governments and only on the requests of such Governments. In the allocation of fund resources considerations relating to the political structure of the country requesting assistance or to the race or religion of its inhabitants should, of course, not be a factor. It ought, however, to be recognized that a fund should not be expected to provide resources for the development of a country where conditions are so unstable that the effective execution of projects for which aid has been requested would be jeopardized.

13. The report of the Committee of Nine suggests that the operations of an international development fund should be directed towards economic development which raises the welfare of the population as a whole. In this connexion, it would be important, from the point of view of the permanent and fundamental improvement of conditions in under-developed countries, that emphasis be placed on projects which would bring about increases in productivity.

14. As is pointed out in paragraph 67 of the report, the assistance to be provided by an international development fund should be considered as supplementary to the domestic resources of the assisted countries and to the external aid they may be able to obtain from other channels, including the flow of both private and public capital. It is agreed, therefore, that before providing assistance, the management of a fund should require evidence that other means of external financing are either inappropriate or unobtainable. While the administration of this requirement should not impose on requesting countries undue delays or undue burdens of proof, the management of a fund should satisfy itself in each case that its resources are not used for projects which could more appropriately be financed from other sources. Similarly, while it is accepted that excessive standards of performance by recipient Governments should not be established as a qualification for assistance, nevertheless, every care should be taken to ensure that any resources to be made available by a fund are used to good effect.

Distribution of resources among governments

15. It is considered that the main criterion governing the allocation of resources among Governments should be the relative merit of and the need for the individual projects for which assistance is requested. It is not thought that any particular priority should be given to the selection of projects yielding early results, for the particular purpose of demonstrating the value of a fund. Moreover, while appropriate weight should be given to reasonable geographic balance in allocating resources, it is not considered that this factor should in any way be decisive in the approval of specific projects. The Canadian Government agrees that a fund should have authority, when its assistance gives rise to the receipt of revenue by the recipient Government, to require the deposit of such funds in a special counterpart account to be used for the further economic development of the assisted country. It also agrees that the disposal of any such counterpart fund should be agreed upon between the assisted Government and the fund.

Distribution of the fund's resources among grants and loans

16. It is not desired at present to express final views on whether an international fund should be empowered to make both grants and low-interest long-term loans or whether its assistance should be by way of grants alone. There would appear, however, to be some doubt about the desirability of loans of this kind being extended by the proposed fund and it is suggested that at some stage the views of the International Bank should be sought on this question, and given considerable weight in any decision which may eventually be taken.

17. If it is finally decided that an international fund should provide special term loans as well as grants, it is thought that such loans should be considered only when the management of the fund is satisfied that the necessary money cannot be raised in capital markets in the ordinary way, and that the project is not regarded as "bankable" by the International Bank on normal terms. Moreover, it may be that if low-interest, long-term loans are to be extended by an international fund, they should be arranged in consultation with the International Bank. The suggestions made in the report of the Committee of Nine for variations of the terms of loans, deferment of payments, etc. would appear to be unduly liberal, particularly for low-interest, long-term loans. It would seem desirable to avoid the uncertainties and administrative difficulties which would result from constant renegotiation of loan terms or other adjustments which in practice might tend virtually to convert such loans into grant assistance. Moreover, the suggested readjustment of the terms of loans extended by the proposed fund might well have the undesirable effect of reducing the seriousness with which international loan obligations generally are regarded. For all these reasons it is considered that, once the terms of a loan had been established, including rates of interest, amortization periods and schedules, periods of grace and currency transfer, these terms should not be varied except in the most unusual and unexpected circumstances.

18. It is agreed that any loans to be made by a fund should not contain automatic waiver clauses to be unilaterally invoked by assisted Governments.

Membership of the special fund

19. It is suggested that further consideration be given to the advisability of extending membership in a fund to countries which are neither members of the United Nations nor of any of the United Nations specialized agencies. It is agreed that a country should not be eligible for assistance from an international fund unless its payments to the administrative budget of such a fund and any pledges to the operational budget have been fulfilled.

Structure, control and administration of a fund

20. The proposals made in the report of the Committee of Nine with respect to the structure, control and administration of the proposed international development fund have been studied with interest. These important questions will require the most careful consideration between now and the time when it is generally accepted that the conditions are right for the establishment of such a fund. Various ways of setting up and controlling an international fund should be examined and, in this connexion, it is hoped that the views of the International Bank, which has had considerable experience in the field of financing economic development, will be sought. The United Nations might wish to explore the possibility of having a fund of the kind under consideration administered by the International Bank, if a suitable procedure could be worked out which would be consistent with the other functions of the Bank.

21. Whatever decision may eventually be taken about the structure of a fund and the responsibility for its administration, it is considered that the contributing countries should be given a voice in the allocation of the fund's resources, and in other major policy decisions, bearing some relation to the extent of their support for the fund. The Canadian Government would not wish at this stage to suggest the precise form in which the respective responsibilities of contributing and recipient Governments should be reflected in the control of a fund, but it would point out that, unless the system is such that the views of the major contributing countries were adequately taken into account in important matters, the willingness of such countries to support, or to continue to support, an international development fund might be seriously impaired.

4. CHILE

30 March 1954

Original: Spanish

I have the honour to inform you that my Government makes the following observations on the Secretariat's note ECA/170/10/02(1) of 23 December 1953.

The contents of resolution 724 B (VIII), approved by the General Assembly on 7 December 1953, which deals with the establishment of a special fund for grants-in-aid and low-interest long-term loans, have been noted with great interest.

In pursuance of the second paragraph of that resolution, this Government wishes to state that, in its view, after the debate at the last General Assembly on the full report of the Committee of Nine and the valuable opinions expressed in the Second (Economic and Financial) Committee on the usefulness and expediency of establishing the special fund, there is no further room for discussion on the subject.

We consider that all the preliminary formalities and empirical studies in connexion therewith have been completed. The next step should consequently be the preparation and drafting of the statute of the special fund, with a view to the immediate initiation of consultations with the governments concerned with regard to the formation of its initial capital.

The Chilean Government considers that the proposed special fund would satisfy a need of the under-developed countries, by supplying them with sufficient long-term low-interest capital to undertake and finance public utility services which, although not producing an immediate return, would tend to raise the standard of living of the inhabitants.

Moreover, the Chilean Government feels that the special fund, being conceived in a true spirit of international solidarity, will be a positive instrument instituted in accordance with the just provisions of the United

Nations Charter, and therefore once more repeats its full support for its establishment.

Accordingly, the Chilean Government, while reserving its right to make further observations, should it deem necessary, considers that the next step in the matter should be that indicated above.

(Signed) Rudecindo ORTEGA

Ambassador,
Permanent Representative of Chile
to the United Nations

5. DENMARK^{1/}

The Danish Government has considered the recommendations contained in the report of the Committee of Nine for establishment of a "special United Nations fund for economic development" to finance the economic development of under-developed countries.

1. The Danish Government agrees that economic support of the under-developed countries is of crucial importance, not only in the light of humanitarian principles but also because higher levels of production and standards of living in those countries may contribute materially to the prosperity of the world as a whole and to the liberalization of trade. The Danish Government believes that a realization of the proposal, which may be expected to result in an increased flow of capital into under-developed countries, will be instrumental in promoting the economic development of the countries involved. The Danish Government would welcome an early realization of the proposal.

2. The proposed initial minimum of the operational resources of the special fund is considered adequate, but the Danish Government feels that it will be necessary gradually to expand the operations of the special fund very considerably.

Denmark is not normally a capital-exporting country, but the Danish Government hopes nevertheless to be able to make a financial contribution towards the establishment of the special fund.

3. As stated above, the Danish Government is of the opinion that the establishment of SUNFED should not be postponed. It is neither found necessary nor desirable to await a general decline in defence expenditures. The proposed sum of \$250 million represents only an infinitesimal fraction of the total annual defence expenditure. A greater effort to assist the under-developed countries may in itself help to relieve international tension, thereby paving the way for a reduction of the defence expenditure.

^{1/} Received under cover of a note verbale from the Permanent Delegation of Denmark to the United Nations, dated 13 April 1954.

4. In its recommendations the Committee of Nine proposes that contributions to the operational budget of the fund be made in the form of deposits of local currencies, to be convertible into other currencies only to the extent that governments permit such conversion. The Danish Government feels that, as a general rule, the contributions of countries which are not in balance of payments difficulties should be convertible into other currencies with a view to encouraging international competition and relieving the dollar shortage.

5. In the opinion of the Danish Government, it is of decisive importance that the operation of the fund should aim at furthering the international division of labour and not at developing economic self-sufficiency in the under-developed countries by establishing domestic production in fields which, in the long run, would be dependent on protection from foreign competition. It will probably not be possible to ensure full adherence to this principle through the fund's own examinations of concrete applications for loans, because capital made available by the fund could accommodate other capital expenditure for purposes which would be found detrimental to the promotion of the free flow of international trade.

It would therefore be desirable that countries receiving support from the fund undertake to adhere to certain general principles in shaping their trade policies and economic policies, for instance, by joining the General Agreement on Tariffs and Trade, which - in connexion with its coming revision - could be modified with a view thereto.

6. The Danish Government favours the establishment of the special fund as a separate organization within the framework of the United Nations, working in close co-operation with other United Nations agencies, notably the International Bank for Reconstruction and Development and the United Nations Technical Assistance Board.

6. HONDURAS

18 February 1954

Original: Spanish

I have the honour to refer to our previous correspondence and to transmit to you the following note:

"Department of Finance, Public Credit and Commerce. Republic of Honduras, No. 337-Tegucigalpa, D.C., 16 February 1954.

"I have the honour to refer to your esteemed communication No. 315-70-AG of 26 January, containing the text of a note in which the Secretary-General of the United Nations invites our comments on the recommendations referred to in paragraph 2 of the operative part of resolution 724 B (VIII), adopted by the United Nations General Assembly at its meeting of 7 December 1953, and referring to the degree of moral and material support which may be expected from us for the establishment of a special fund for grants-in-aid and for low-interest, long-term loans to under-developed countries. The Secretary-General announces that the President of the Economic and Social Council, Mr. Raymond Scheyven, has been appointed to examine and collate the comments received and requests that a reply to his note should be forwarded before 31 March. Since it is improbable that an international finance corporation of a type similar to the International Bank for Reconstruction and Development will be set up, there is little doubt that this alternative plan would be extremely beneficial to countries such as Honduras, which are just beginning to expedite their economic development. Naturally, the success of the proposed special fund will depend on the financial support which the more powerful governments in the United Nations, particularly that of the United States of America, are able to provide. Honduras is convinced of the advantages which such a plan could bestow upon it and other countries of small national income, for which reason there seems little need to go into the reasons for the establishment of the special fund in detail. Although entirely voluntary, the contributions of subscriber countries should be based, as suggested in the

report of the Committee of Nine, on the economic strength and resources of each one. Owing to the lack of adequate statistics on this matter, it is very difficult to apply such a criterion and to determine exactly the relation which the contribution of Honduras should bear to that of other countries. This Department accordingly takes the liberty of proposing that the same criterion might be applied as was applied in determining the contributions of Honduras to the International Monetary Fund and the International Bank for Reconstruction and Development. Honduras subscribed to the Fund approximately .033 of 1 per cent of the total capital, and, to the Bank, a percentage of barely .013 of 1 per cent. Since the estimated resources of the special fund for economic development are to be 250 million dollars for the first few years, the contribution of Honduras would be between 65,000.00 and 165,000.00 lempiras, depending on whether the system followed was that used in respect of the International Bank or that in respect of the Monetary Fund. According to the principle established by the report, only one-quarter of the amounts pledged should be paid in the initial two-year period, and payments may be made in national currency. Although the report of the Committee of Nine provides for continuing support of the special fund, it is doubtful whether Honduras should undertake to pay further contributions after it has paid the amount pledged in toto. It is almost certain, moreover, that our country would derive greater benefit, either in grants-in-aid or in loans, than would be represented by the amount which it pledged, always provided that it is prepared to carry out projects designed to expedite its economic development. In conclusion, this Department thinks that Honduras should give full support to the establishment of the special fund and should inform the United Nations of its desire to contribute at least (L.50,000.00) fifty thousand lempiras. M.A. BATRES, to the Minister of Foreign Affairs".

(Signed) J. E. VALENZUELA

7. INDIA

26 March 1954

The Minister for External Affairs presents his compliments to the Secretary-General of the United Nations and with reference to his note No. ECA 170/10/02(1), dated 23 December 1953, has the honour to say that the Government of India, while continuing to support the basic principles and objectives of the fund, do not think it would serve any purpose to offer detailed comments on the scheme at this stage and would look forward to the emergence of the favourable conditions referred to in the preamble; when it is found possible to make a beginning with the project, they would be willing to make a reasonable contribution to the fund.

8. ITALY^{1/}

Original: Italian

With reference to resolution 624 which was adopted by the General Assembly of the United Nations in December 1952 and which recognized over-population and sparseness of population as factors retarding economic development and recommended that the United Nations and the specialized agencies should continue their active co-operation with a view to facilitating, within their own special fields of competence, the transfer and technical training of emigrants both in the country of emigration and in the country of immigration;

Having taken note of document E/2381 containing the report of the nine experts on the establishment of a special United Nations fund for the economic development of under-developed areas;

In conformity with General Assembly resolution 724 B (VIII) which invites Governments of States Members of the United Nations and of the specialized agencies to transmit to the Secretary-General their detailed comments both on the recommendations contained in document E/2381 and on the degree of moral and material support which may be expected from them for such a fund;

The Italian Government has the honour to submit the following comments:

1. Generally speaking, the establishment and functioning of the special fund and of the international finance corporation are of concern to Italy and indeed to every other member of the international community.

It is now generally accepted that any attempt to develop the under-developed countries also benefits countries with more advanced economies, since it increases international purchasing power, facilitates the marketing of industrial production, makes the sources of raw material more accessible and raises the level of national income and employment everywhere.

Italy, as a country which has traditionally been a supplier for "semi-developed" countries, would particularly benefit from a process of economic development in areas which are now completely or almost completely undeveloped, especially since the general economic development of the under-developed areas might well encourage the migratory trends implicitly recommended in the above-mentioned General Assembly resolution 624.

^{1/} Received under cover of a note verbale from the Italian Representative to the United Nations, dated 12 April 1954.

2. The problem of the economic development of the under-developed areas is essentially one of long-term financing, and for that purpose it would appear extremely useful to establish international financial institutions not administered according to inflexible banking criteria. Moreover, according to the spirit of resolution 625 (VII) on land reform, adopted by the General Assembly on 21 December 1952, economic development plans for the under-developed areas should give a large place to agricultural settlement schemes. As such schemes require heavy investments of a social nature and thus cannot yield significant profits to investors, they cannot be financed with private capital, which tends to be invested according to the laws of economics.

3. The Italian Government agrees with the principle expressed in document E/2381 that the special fund should utilize the services of the United Nations and the advice of the Technical Assistance Administration, which is already experienced in its particular field. Thus, the new organization would not be burdened with excessive administrative costs that would indirectly raise the rate of interest on the capital contributed.

4. In order to encourage further the adoption of measures to stimulate the free exchange of labour and goods, it is felt that priority should be given to the establishment of the special fund (financed from public capital) before the finance corporation (financed from private capital), since the former would likely clear the way for increased private capital investment in the under-developed areas.

5. The special fund should be guaranteed absolute immunity from political pressure and interference which might entail discrimination against certain countries.

6. The Italian Government feels that the reservation expressed in the Economic and Social Council resolution that the establishment of the special fund should be postponed to such time "as circumstances permit" and "when sufficient progress has been made in worldwide disarmament" considerably reduces the practical scope of the proposal. It would be better if all the countries,

whether Members of the United Nations or not, which have shown themselves favourable to the establishment of the special fund should elaborate a joint plan of practical action which could be implemented without delay.

7. With regard to the establishment of an international finance corporation designed to facilitate private international investments, the Italian Government feels that such a body should extend its activities to countries which are not backward or are only partially so. It considers therefore that it would be wise if the corporation, once it is created, were not strictly compelled to make financial allocations on the basis of the economic backwardness of the countries assisted. There is no doubt that if countries like Italy, which need a greater influx of foreign capital and yet cannot be considered as economically backward, were included in the financial corporation's sphere of activity, the corporation would be able to attract private capital more easily and distribute it more judiciously.

8. Finally, having regard to the above comments, the Italian Government is entirely in favour of the establishment of the special United Nations fund and the international finance corporation.

9. JAPAN

10 April 1954

The Minister for Foreign Affairs of Japan presents his compliments to the Secretary-General of the United Nations and has the honour to refer to the latter's note ECA 170/10/02(1), dated 27 December 1953, in which the Secretary-General pointed out, inter alia, that the Japanese Government is invited under General Assembly resolution 724 B (VIII) to make detailed comments both on the recommendations contained in the report on a special United Nations fund for economic development and on the degree of moral and material support with which Japan may provide the fund.

The Japanese Government attaches great importance to the question of financing economic development in less-developed areas and after careful consideration of the report feels that it would be appropriate at this moment to make brief remarks as follows:

1. The Japanese Government is sympathetic to most of the recommendations contained in the report under review and, in particular, it considers that the provision for national contribution to the fund in local currency will be an extremely important factor in securing a universal participation in the fund. It is also the strong desire of the Japanese Government that, in setting up policy-making as well as administrative machinery of the proposed fund, due regard should be paid to the equitable representation between Members and non-Members of the United Nations.

2. The Japanese Government fully supports the idea of SUNFED, as it believes that the principles of assisting under-developed countries through international organizations such as the United Nations will be most acceptable to those countries themselves, and SUNFED will provide an effective means of accelerating economic development at a time when an expanded flow of capital to under-developed countries is greatly needed. In the event the proposed programme is finalized, the Japanese Government will therefore be ready to consider favourably giving its material support to the fund to such an extent as its financial circumstances would then permit.

10. NETHERLANDS

15 April 1954

The Acting Permanent Representative of the Netherlands to the United Nations presents his compliments to the Secretary-General of the United Nations and has the honour to refer to the latter's note of 23 December 1953, ECA 170/10/02(1) on the question of the establishment of a special fund for grants-in-aid and low-interest long-term loans.

Upon instructions received from the Netherlands Government, the Acting Permanent Representative has the honour to state as follows:

In the opinion of the Netherlands Government the economic development of under-developed countries is a problem of great urgency not only in connexion with the standard of living in those countries, but also in view of the political and economic stability of the world as a whole.

The post-war economic problems are interrelated on a world-wide scale in such a way that measures for the economic development of under-developed countries form an essential part of the efforts towards a solution of those problems.

For that reason, the Netherlands Government consider it of the first importance for the developed as well as for the under-developed countries that, within the framework of the United Nations, a joint effort be made towards the accelerated development of economically backward countries. A start in this direction has been made through the programmes for technical assistance of the United Nations and the specialized agencies, which - although as yet limited in scope in proportion to the great need in which the under-developed countries stand - have proved to be of great practical value.

The impact of these programmes, however, will decline very soon, if the United Nations are not in a position to follow up this technical assistance with the essential financial assistance. This assistance would further the realization of basic projects in under-developed countries, for which projects sufficient funds can apparently not be made available either in the country concerned, or through existing channels of foreign financing.

The Netherlands Government therefore take great interest in the United Nations proposals for the financing of economic development of under-developed countries, and are of the opinion that a special United Nations fund for economic development would fill a gap in the United Nations apparatus for the development of under-developed countries.

The Netherlands Government are aware of the fact that, for the time being, the costs of armament for the maintenance of international peace and security might limit the extent of such a financing institution. They feel nevertheless that, as the economic development of under-developed countries is in itself an urgent problem and as this development as such will contribute to international peace and security, a special fund should be established as soon as the conditions mentioned in the report of the Committee of Nine are present.

The financing of useful basic projects through a special fund can act catalytically in starting a flow of capital to the under-developed countries. Even a fund of temporarily limited proportions will be able to yield valuable results because - situated at the nucleus of international technical assistance - it will be in a position to meet the most pressing capital needs.

From the outset, the Netherlands Government have actively participated in the programmes of international technical assistance and - on the strength of the above-mentioned considerations - the Netherlands Government are ready to co-operate in the establishment of a special United Nations fund for economic development. If such establishment has been decided upon, the Netherlands will contribute on a basis corresponding with their participation in other important activities within the framework of the United Nations.

Concerning the organization of and the procedures for a special fund, the Netherlands Government can agree in general with the recommendations of the report of the Committee of Nine. For the time being it may suffice to make the following remarks and suggestions:

1. In order to promote greater continuity it would be useful if countries - while pledging a yearly contribution - were to state in principle their willingness to support the fund during a number of years.
2. In order to avoid political complications in the general council of the fund, it is recommended that universal membership be made possible

and that therefore be adopted, as the single condition for participation, a pledge to comply with the rules and regulations which this membership involves.

3. The report of the Committee of Nine contains such a number of possibilities for dispensation of the rules applying to "loans" that the difference between "loans" and "grants" may be obscured. In this connexion, the Netherlands Government are of the following opinion: In order to prevent difficulties when judging subsequent requests for conversion of "loans" into "grants" and in order to have a better over-all view of the extent to which funds are available, it appears preferable that, in cases where initial doubts exist whether a "grant" or a "loan" should be given, it be decided at the outset to give a "grant". Consequently, "loans" should only be given in cases where they seem clearly appropriate. Once a loan is given the conditions governing "loans" should be strictly observed.

4. The Netherlands Government consider the idea of counterpart funds to be useful. Paragraph 104 of the report, however, does not seem to be entirely clear. In case the Committee of Nine is of the opinion that the special fund is free to have possible revenues or profits of funds invested earlier paid into a counterpart fund, this does not seem to be entirely justified. Governments of recipient countries in this case would be left too much in uncertainty as to their obligations towards the special fund.

5. The creation of a separate administration for the special fund must not interfere with the desired synchronization of financial and technical assistance through the United Nations. The special fund should also benefit fully from the know-how and experience of the International Bank and, therefore, close contact should be established between both institutions.

As to the final form which the machinery of the special fund should take the Netherlands Government as yet reserve their position pending the Secretary-General's working paper on the extent and methods of co-ordination which may be desirable or necessary between the activities of a special fund,

the Technical Assistance Board and such of the specialized agencies as may be engaged in tasks relating to the economic development of under-developed countries.

6. In the opinion of the Netherlands Government, furthermore, the following two points might be examined:

(a) The possibility of having the special fund guarantee specific loans if this guarantee would enable the International Bank to grant these loans which otherwise, under the existing Letters of Agreement, would not have been possible;

(b) The report of the Committee of Nine emphasizes the desirability of using, wherever possible, the services of existing United Nations bodies to investigate and review requests for financial assistance.

Nevertheless, the framework as envisaged in the report could well lead to the creation of an extensive apparatus of experts in cases where requests for assistance are related to new and as yet unstudied projects which might necessitate the sending out of expert missions. The set-up of such a complicated apparatus would be time-consuming and expensive. The possibility of avoiding this situation should be explored. In this connexion, the possibility might be taken into consideration that the special fund be limited for the time being to requests for financing related to projects that have already been studied by the Technical Assistance Board or the International Bank. If, nevertheless, in a special case, it would seem advisable to take a new project into consideration, the Technical Assistance Board or the International Bank should be consulted in advance, with a view to obtaining all available data before proceeding to a closer study of the new project.

This procedure at the same time would offer the special fund a greater guarantee to develop into an integrated part of the United Nations machinery for the economic development of under-developed countries.

11. NEW ZEALAND

29 January 1954

The Minister for External Affairs presents his compliments to the Secretary-General of the United Nations and has the honour to refer to the Secretary-General's note ECA 170/10/02(1) of 23 December 1953, concerning resolution 724 B (VIII) on the question of establishing a special fund for grants-in-aid and low-interest long-term loans to under-developed countries.

The New Zealand Government have studied the report of the Committee of Nine, copy of which was forwarded with the Secretary-General's note, but do not desire to submit any comments on the recommendations contained in this report.

Consideration has also been given to that part of resolution 724 B (VIII) inviting Governments to indicate the degree of moral and material support which may be expected from them for the special fund.

The Government desire to reaffirm the assurance of sympathy with and understanding of the needs of the under-developed countries, as given by the New Zealand representative during the proceedings of the Second Committee at the eighth session of the General Assembly. This attitude has been manifested by practical action in support of the United Nations Expanded Programme of Technical Assistance, and by way of capital development and technical assistance grants made by New Zealand under the auspices of the Colombo Plan. The contribution of New Zealand have been substantial in relation to its resources, and are continuing to be made. At the same time, New Zealand is itself in a stage of active development especially to meet the needs of a population which is expected to increase by 50 per cent within the next twenty years. Such a rate of increase imposes a heavy burden on the resources of the New Zealand economy.

For these reasons, the New Zealand Government are unable at the present time to enter into any commitment to contribute to the special fund should it be established.

12. PANAMA

18 March 1954

Original: Spanish

I have the honour to inform you that in accordance with your note verbale ECA 170/10/02/1, of 23 December 1953, referring to resolution 724 B (VIII), entitled "Economic development of under-developed countries", approved by the General Assembly at its eighth session on 7 December 1953, the text of which refers to the establishment of a special fund for grants-in-aid and for low-interest, long-term loans, our Government has informed us that, after considering the text of the said resolution, it is prepared to give moral and material support to the establishment of such a fund.

I have pleasure in transmitting herewith a copy of a note from the Director-General of the Institute for Economic Development (IED) referring to this matter and transmitted by him to the Minister for the Interior and Justice:

"I have the pleasure to inform you that we concur in the opinion of the Comptroller-General with regard to the establishment of the special United Nations fund as commented on in your note. We consider it highly important that we should support the implementation of the project for the establishment of a special United Nations fund for economic development.

The Institute of Economic Development is conscious of its responsibilities with regard to the planning of activities for the economic development of the country. In that connexion, I must inform you that the Institute is proceeding with such planning and will in due course submit the relevant projects in respect of which applications will be made to the special fund for assistance."

(Signed) Ernesto de la OSSA
Ambassador

13. SAUDI ARABIA

7 April 1954

The Permanent Delegation of Saudi Arabia presents its compliments to the Secretary-General of the United Nations and has the honour to present the following in answer to his circular ECA 170/10/02 (1) regarding the General Assembly resolution 724 B (VIII) which deals with the question of the establishment of the special United Nations fund for grants-in-aid and low-interest, long-term loans:

The views of the Saudi Arabian Government regarding SUNFED were adequately presented by their own representative on the Second Committee during the eighth session. He had expressed his support for the establishment of the fund and his endorsement of the recommendations contained in the report of the Committee of Nine.

The Saudi Arabian Government will lend its full support to such a fund, and will look forward to its establishment to participate fully in its operation.

The Saudi Arabian Government will be glad to answer through its Permanent Delegation to the United Nations any specific questions addressed to it by Mr. Raymond Scheyven.

14. SWEDEN

1 April 1954

With reference to your letter of 23 December 1953 - ECA 170/10/02(1) - concerning the question of the establishment of a special United Nations fund for grants-in-aid and low-interest long-term loans in accordance with resolution 724 B (VIII) adopted at the eighth session of the General Assembly on 7 December 1953 under the title "Economic development of under-developed countries", I have the honour to state as follows:

The Swedish Government associates itself with the view set forth in the resolution of the General Assembly, stressing the great importance of the under-developed countries being rendered not only technical, but also financial assistance in the form of grants-in-aid or long-term, low-interest loans of a non-commercial character. However, as regards the project of a special fund in accordance with the recommendation of the Committee of Nine (SUNFED), Sweden has from the beginning taken a rather reserved attitude in regard of the fact that the creation of such a fund would mean a new international organization involving still higher overhead costs and entailing risks of overlapping and duplication of effort. Already the difficulties of financing the present technical assistance programme have necessitated the keeping of this programme on an essentially lower level than is corresponding to the needs and wishes of the under-developed countries. The Swedish Government still have certain misgivings as to the usefulness of the proposed SUNFED scheme. In all circumstances, the attitude of the Swedish Government must depend on the support which will be given to the fund by the more important industrialized countries, in the first place the United States and the United Kingdom; even in the event of these countries declaring themselves willing to render substantial support to the fund, it must be remembered that Sweden has increased its contributions to the expanded technical assistance programme and is further planning a technical assistance programme of its own on a modest scale. At least for the present, Sweden will not be able to contribute to other purposes than those now referred to. In the view of the Swedish Government,

it would be advisable to examine other practicable ways of solving the problem of rendering financial assistance to the under-developed countries, for instance, by gradually expanding the existing technical assistance programme to include the supply of capital.

Should the establishment of a fund be decided on by the United Nations, the Swedish Government would like to lay particular stress upon the recommendations of the Committee of Nine that Member Governments should determine themselves the amount of their contributions. Furthermore, the Swedish Government attaches importance to the declaration in paragraph 45 of the report of the Committee of Nine that the ability of members of the fund to make contributions may also be affected by the existence of commitments separately assumed for the economic development of under-developed countries. Finally, the fund, if established, must not exclude other forms of economic aid to less developed countries.

15. SWITZERLAND

14 April 1954

Original: French

The Federal Political Department had the honour to receive the Secretary-General's note of 23 December 1953 informing it of resolution 724 B (VIII) concerning the establishment of a special fund for grants-in-aid and long-term loans to the under-developed countries.

The Secretary-General was kind enough to invite Switzerland as one of the States Members of the specialized agencies in the economic and social field, to transmit its comments on the principle of the establishment of the proposed fund. The Federal authorities have examined this proposal with much interest, since they are fully aware of the need to continue the efforts jointly undertaken with a view to reducing the gap which now separates the economically under-developed countries from those which have attained a normal level of development.

Although they regard the aim of the United Nations special fund for economic development as highly laudable, the competent Federal authorities wonder whether the establishment of such an agency might not be premature. The Expanded Programme of Technical Assistance is still in its initial stages and in the opinion of the Swiss authorities, it would be preferable at the present for Member States to concentrate on enhancing the effectiveness of the Expanded Programme rather than to undertake any new tasks. At a later stage, as a result of the experience gained in this field, it will doubtless be easier to prepare and carry out a plan, such as that for the United Nations fund for economic development, which will both meet the needs of the under-developed countries and correspond to the resources available to the contributing countries. The figure of 250 million dollars proposed for the fund is very high and it is doubtful as to whether so large a sum could readily be raised in present circumstances. Indeed, the financial difficulties now confronting the Expanded Programme of Technical Assistance and other international organizations are well known. The wisdom of establishing a new international body at this stage may therefore be questioned.

Moreover the Federal authorities, to which the matter has been referred, feel that the proposal might have been presented in more precise and explicit terms. Further information is needed on many points, as for example, on the procedure for controlling the use of funds, the distinction to be drawn between grants and loans, the demarcation between the sphere of activity of the Fund and that of other existing bodies, the fixing of rates of interest, and size of the administrative staff the new body would require and hence the costs to be borne by each participating State.

The Political Department would be grateful to the Secretary-General if he would keep it informed of the development of this plan.

16. UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND^{1/}

The comments contained in this memorandum must to a large extent be considered against the background of the general attitude of Her Majesty's Government in the United Kingdom towards the proposed special United Nations fund for economic development (SUNFED). This attitude has frequently been made clear in debates both at the Economic and Social Council and the General Assembly of the United Nations. Broadly speaking, Her Majesty's Government accept and support the principle of an international fund within the framework of the United Nations, but are not at this stage in a position to subscribe to it financially. Further, since they understand that no other major potential contributing Power is yet in a position or prepared to contribute, they have grave doubts about the desirability of taking any immediate practical steps towards the establishment of a fund. This attitude, and the reasons for it, are elaborated in the succeeding paragraphs.

MORAL AND MATERIAL SUPPORT FOR THE PROPOSED FUND

The United Kingdom has a record in the development of under-developed countries of which it is proud. In the light of this record it is natural that any project which seems likely to lead to the economic development of under-developed countries should meet with the approval of Her Majesty's Government. Although, therefore, they feel that hopes in the potential results of SUNFED may on occasion have been exaggerated, they are prepared to give their support to the principle of such a fund. This attitude was reiterated in the debate on SUNFED in the Second Committee of the eighth session of the General Assembly, where the representative of Her Majesty's Government stated "in principle there is value in the conception of the fund. We find it imaginative and constructive. We think that a useful part could be played by such a fund in the development of under-developed countries".

^{1/} Received under cover of a note verbale from the United Kingdom Delegation to the United Nations, dated 21 March 1954.

Her Majesty's Government also gave their support to resolution 724 A (VIII) which was introduced by the delegation of the United States and which pledged Governments to ask their peoples, when sufficient progress had been made in internationally supervised world-wide disarmament, to devote a portion of the savings thus achieved to an international fund for development. The representative of Her Majesty's Government in referring to this resolution said that it was "a very remarkable pledge and one which holds great hope for the future. We should not lightly pass over it. I can say that Her Majesty's Government in the United Kingdom will support that resolution and I firmly believe that the resolution will command an overwhelming majority".

The United Kingdom has a special interest in the promotion of economic development, since about half of the population of the under-developed territories of the free world are to be found in the territories and countries which are closely associated with the United Kingdom in the Commonwealth; and in fact the United Kingdom is already contributing largely to the economic development of under-developed countries. The needs of these countries and the different ways in which resources effectively become available in the United Kingdom are reflected in the variety of different channels through which finance flows to them from the United Kingdom; and, as will be clear from the particulars which follow, the factor limiting the flow of assistance is not the lack of suitable channels for distributing it, but (apart from the ability of the countries themselves to prepare projects and absorb finance) the availability of resources in the United Kingdom itself. Further, in making assistance available the United Kingdom is already acting, to the extent which it can afford such assistance, on the principle that under-developed countries require not only loan finance but also grant aid. The channels through which development finance is at present passing from the United Kingdom to the Commonwealth (excluding substantial grants made available to dependent overseas territories for purposes other than development, such as war damage reconstruction, special military expenditure etc.) may be summarized as follows:

Monies directly voted from Government revenues

Regular grants and loans are made under the Colonial Development and Welfare Acts; and Her Majesty's Government are committed to the extension of the legislation providing for assistance for Colonial development and welfare, the present term of which expires in 1956.

Technical assistance is made available to the Colombo Plan countries under a continuing arrangement covering the years 1950 to 1957.

Other Governmental or quasi-Government lendings

The Colonial Development Corporation undertakes development of a commercial type and makes loans to, or takes equity interests in, industrial or commercial enterprises operating in Colonial territories which are desirable for the development of the Colonies and which cannot raise finance in other ways.

Her Majesty's Government has on one occasion made available, through the Export Credits Guarantee Department, a substantial credit to a Commonwealth country, which sought special assistance.

The United Kingdom has agreed to make available from its sterling subscription to the International Bank up to £60 million over a period of six years for lending by the Bank to Commonwealth countries of the sterling area, while at the Colombo Plan Consultative Committee meeting in October 1953 the United Kingdom representative announced that Her Majesty's Government would be prepared to consider assisting development projects put forward by non-Commonwealth members on the same basis as that on which schemes from Commonwealth countries are considered. The United Kingdom has not yet found it possible to release the remaining £20 million sterling subscription to the International Bank.

Borrowings from private investors in the United Kingdom

Colonial Governments float loans in the London market and such loans provide one of the main supports for the development programmes of the Colonial territories in the public sector.

Other Commonwealth Governments also can approach the London market for sterling loans, as was confirmed at the Commonwealth Finance Ministers Conference of January 1953 both for finance for particular projects and for general programmes of development.

Capital issues are also made on the London market by private borrowers for investment in development in the Commonwealth.

The Commonwealth Development Finance Company makes private capital available for certain types of productive investment in the Commonwealth.

Through these various channels the United Kingdom made available in 1953 alone some £120 million of grants and loans for Commonwealth development. This figure included some £18.5 million of grants and loans approved under the Colonial Development and Welfare Acts, capital commitments of £5 1/2 million authorized through the Colonial Development Corporation, and £23.5 million raised by Colonial Governments on the London loan market. Other Commonwealth Governments raised £20 million in the London market, while the United Kingdom Government made available £5 million for India through release of sterling to the International Bank and £10 million as a credit for development in Pakistan. Capital issues consent was given to private borrowings on the London market for Commonwealth development amounting to some £40 million in the same period. Outside the Commonwealth, a further £10 million was made available, within and without the framework of the United Nations, for the economic and social development of other countries - for instance a contribution of £2.8 million to the Korean Reconstruction Agency, and £2.7 million of economic aid to Yugoslavia.

Under-developed territories of the Commonwealth and some outside the Commonwealth are also able to draw upon the United Kingdom in respect of sterling balances built up during the Second World War and in subsequent years. These balances now total over £2 billion and arrangements for periodical releases have been agreed with many holders, including India and Pakistan.

The contributions are being made at a time when expenditure on defence absorbs about one-eighth of the total resources of the United Kingdom and when the country is only just emerging from a long period in which restraints on domestic consumption and on investment in social and industrial development in the United Kingdom have been required, and in which we have been confronted by persistent balance of payments difficulties.

Her Majesty's Government cannot in these present circumstances consider entering into substantial new commitments which would involve additional strains on United Kingdom resources and would have an immediate impact on the balance of payments. They do not consider that it would be in the general interest to undertake commitments to a new agency for international financing of economic development if this meant that existing contributions through other channels would have to be reduced. They hope that, when the conditions envisaged in resolution 724 A (VIII) are established, the setting up of a new international fund will be the occasion for a genuine increase in the total contribution to the economic development of under-developed countries.

COMMENTS ON THE REPORT OF THE COMMITTEE OF NINE

Since Her Majesty's Government do not find it possible to foresee all the circumstances which might exist when a decision were taken to establish SUNFED, they doubt whether any useful purpose would be served by commenting in detail on all the provisions of the Committee's report. For this reason, they confine themselves in this memorandum to comments on those features of the plan which they feel would require some modification at whatever time the fund were set up. They submit such comments on the assumption that, whenever practical steps for establishing a fund were considered, nothing would preclude further comment and suggestion in the light of the conditions then prevailing.

Her Majesty's Government attach special significance to those comments concerning the control of the fund and the question of loans. These are therefore dealt with first. The remainder are set out in the order of the paragraphs and conclusions in the report to which they refer.

Control and administration of the fund

Her Majesty's Government consider that further thought should be given to the question of effective control over the disbursement of resources placed at the disposal of the fund. Her Majesty's Government do not think that the precedents for the control of international resources provided by the organization of the Expanded Technical Assistance Programme or the International Bank are necessarily entirely appropriate in the present case. They do feel that

the system proposed by the Committee of Nine would have in considerable measure to be revised if Her Majesty's Government were to present it to the people of the United Kingdom as compatible with the degree of sacrifice demanded of them as contributors. They feel that further consideration should at the appropriate time be given to the suggestion that, in determining the relations of a Government with the fund, its status as a primarily contributing or benefiting government should be taken into account. In this connexion, they would not wish the provisions recommended by the Committee of Nine for contributions, which in the nature of things seem likely to be nominal, from countries which are primarily beneficiaries of the fund (paragraph 62) to endow them with responsibilities not compatible with the size of their contribution.

In the same connexion, Her Majesty's Government feel that more consideration might have been given to the possibility of associating the International Bank with the administration of the fund. Since the International Bank is a non-political body already closely acquainted with the economy and needs of prospective beneficiaries, they feel that the fund could not but benefit from close association with the Bank: for example, obvious savings would be achieved by the use of the Bank's statistical and research services. They realize of course that, if the suggestion for such an association were acceptable in principle, further discussion and examination of its details would be necessary and they would be prepared to make concrete proposals. They also appreciate that the International Bank must reserve its right to decide whether or not to participate in the management of any fund which might be set up, even if the United Nations, or potential contributors, had invited it to do so, and that the Committee of Nine could not disregard any views which the International Bank may have expressed to them. At the same time, in view of the clear advantages to be gained by both the fund and the Bank, they feel that every effort should at the appropriate time be made to remove any difficulties in the way of association which may exist.

The grant of long-term low-interest loans

Her Majesty's Government have grave doubts about empowering the proposed fund to make long-term low-interest loans and would prefer to see this provision removed. It would be exceedingly difficult to establish any principle which would determine whether a country should receive assistance from the proposed fund in the form of a grant or a loan and even more difficult to determine the magnitude of the concessions to be made from normal lending terms as applied by e.g. the International Bank. Secondly, the giving of loans on the generous terms and with the generous provisions for review and revision that are recommended seems likely in the long run to lead to the conversion of a large part of the loans into grants. Such conversion would inevitably lead to continuing administrative difficulties and expense which Her Majesty's Government suggest would be hard to justify. There is also in this connexion the possibility that the giving of loans on exceptionally generous terms might encourage some countries to take up more loans than they could service and so in the long run impair their credit worthiness with other sources of capital. Her Majesty's Government therefore incline to the view that lending should remain the province of the International Bank and that the proposed fund should confine its operations to the making of grants.

Other points

Paragraph 29. Conclusion (8)

Her Majesty's Government would have no objection in principle to the remittance of private donations from the United Kingdom. But it is more difficult to accept the suggestion that such donations might be deductible items for the purposes of income or profit taxation, as this would involve an additional governmental contribution, graded according to the weight of taxation in the country concerned. In other words, the higher the rate of tax the more the Government would be contributing by way of remitted taxation in the respect

of each non-governmental contribution to the fund. Her Majesty's Government would suggest, therefore, that further consideration of this point is necessary.

Paragraphs 46 to 48. Conclusion (9)

Her Majesty's Government accept in general the recommendation of the Committee that contributions should be in the form of deposits of local currency, convertible in other currencies only to the extent that governments permit conversion. They assume, of course, that it is not intended to suggest that governments which already maintain convertible 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. It is probable that "tied" contributions would achieve less in the interests of the fund than those which were unrestricted.

Paragraph 9. Conclusion (11)

Her Majesty's Government agree that it would not be desirable for the fund to begin operations until it were assured of substantial resources, of the order of \$250 million. But they would suggest that it would be necessary in this connexion to consider not only the total amounts pledged but the scope and character of any restrictions on use which governments had thought it necessary to impose. They feel in fact that the figure should relate to the amount of resources effectively available for the purchase of those goods and services likely to be desired by the beneficiaries of the fund.

Paragraphs 63 to 65, 80 and 81. Conclusions (13) to (15), (18) and (19)

Her Majesty's Government are in entire accord with the recommendations contained in the paragraphs headed "Principles and policies concerning governments assisted by the special fund". In particular, they attach importance to the principle that governments should strive for effective mobilization and use of internal and external resources. None the less, since it seems likely that resources available will be less than total requests for assistance, they doubt whether these principles will be sufficient in determining priorities in the allocation of funds. Although, therefore, they realize that

the task of deciding further and more specific economic criteria to assist the authorities in distributing the funds would be complicated and difficult, they feel that the attempt should be made. In particular, it should be made clear that the fund could not be called upon to make good the deficiencies of local fiscal or exchange control systems, or the cessation of a flow of capital from abroad on account of the deterrent nature of local governmental policies. Subject to these qualifications the proposed fund should attempt to distribute its resources to those countries where the need for external assistance is greatest, provided that these countries can establish a probability that grants will be used so as to provide a real and lasting benefit to their economies.

Paragraph 73. Conclusion (23)

Her Majesty's Government entirely concur in the recommendation that assistance from the fund should not carry conditions of a political nature. They also agree that the fund should not be influenced by considerations relating to the political structure, race or religion of benefiting countries. At the same time they naturally assume that, should any country be in default in its obligations towards the United Nations, or towards other Members of the United Nations, it could not be regarded as a suitable beneficiary of the fund.

Paragraphs 70, 72 and 78. Conclusions (28) and (29)

While the project approach, on which the report lays great stress, seems the safest and most easily supervised, Her Majesty's Government feel that it is desirable that the fund should not be debarred from contributing towards integrated programmes of development, particularly where the recipient country has shown that such programmes can be prepared or carried out in a country in accordance with the purposes of the fund.

Paragraph 100. Conclusion (35)

Considerable emphasis is placed by the Committee on the necessity of achieving a balanced geographical distribution of the grants. Her Majesty's Government agree that it would not be practical or desirable to ignore the

necessity for some measure of geographical balance in distribution. But they are anxious not to see too much emphasis placed on this point. They feel that the real needs of the country, determined so far as possible by a reference to specific and objective criteria, should provide the proper basis of distribution.

Paragraphs 100 to 104. Conclusion (37)

The report suggests that the fund should in certain circumstances be able to require the deposit of local currency in a counterpart account. Her Majesty's Government understand that in making this proposal the Committee had in mind the danger that some beneficiaries of the special fund might be tempted to employ local currency generated as a result of the disbursement of grants from the fund in ways which might not be in accordance with the purposes of the fund. Her Majesty's Government are doubtful whether the establishment of counterpart funds represents a satisfactory way of dealing with this problem. The authority responsible for making grants would have to consider whether the fiscal and monetary resources available to the recipient Government were being applied in a manner which represented the best use of resources available. Such an enquiry would necessarily cover the use of funds, if any, accruing in connexion with the project itself. Her Majesty's Government would regard this as an adequate precaution.

GENERAL

Her Majesty's Government suggest that special consideration will have to be given to the problem of Member States having international responsibility for Non-Self-Governing Territories and the precise nature of the relationship between the fund and Member States who may be contributors while the governments of the territories for whose international relations they are responsible may wish to become beneficiaries.

17. YUGOSLAVIA

2 April 1954

The Permanent Mission of the Federal People's Republic of Yugoslavia to the United Nations presents its compliments to the Secretary-General of the United Nations and, referring to the communication ECA 170/10/02(1) of 23 December 1953, on behalf of the Yugoslav Government has the honour to transmit the following reply:

The Federal People's Republic of Yugoslavia fully supports the report of the Committee of Nine Experts on the establishment of the special United Nations fund for economic development and does not have any substantial remarks to make on the report in principle, but only a few of a practical nature. Therefore, Yugoslavia considers that the report, by its substance as presented by the group of experts, and which was welcomed by the sixteenth session of the Economic and Social Council (resolution 482 A (XVI)) and by the eighth session of the General Assembly (resolution 724 B (VIII)), should represent a basis for the drafting of the statute of the special fund.

The Yugoslav Government is of the opinion that the present world economic situation, and particularly the position of the under-developed countries, requires the establishment of the special fund as soon as possible and not to tie up the start of the fund's operation with disarmament.

The fund, when established, even with modest means, would nevertheless represent a significant assistance to the under-developed countries in their efforts to accelerate the process of economic development. The fund, further, would represent the manifestation of the desire toward the improvement of international economic co-operation.

The present economic situation, particularly in the highly developed countries, confirms the opinion that real possibilities do exist for the collecting of means necessary for the beginning of the financial operations of the fund.

Yugoslavia, being a country now in the process of an intensive economic development, expresses its readiness to contribute to the special fund and to extend a maximum assistance within the frame of its possibilities deriving from its present and future economic situation. The amount of the contribution and form in which it will be given will be specified subsequently.
