

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)

ADDENDUM

Note by the Secretary-General: Further to document A/2646, the Secretary-General has the honour to transmit herewith further comments received from the following eight Governments on the recommendations contained in the Report on a Special United Nations Fund for Economic Development 1/ prepared by the Committee of Nine 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. Replies from other countries will be circulated in due course.

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

18. CEYLON

15 May 1954

The Permanent Secretary to the Ministry of External Affairs, Ceylon, presents his compliments to the Secretary-General of the United Nations and, with reference to note no. ECA 170/10/02(1) dated 23 December 1953, has the honour to state that the Government of Ceylon welcomes the proposal to establish a special United Nations fund for economic development. The Government of Ceylon is in general agreement with the recommendations made in the report, in particular, regarding the nature of the fund, the principle of voluntary contribution to its operational budget, the distribution of its funds, and the liberalization of the terms of its loans to an extent greater than the best terms currently available either commercially or from the International Bank.

The Government of Ceylon notes that the recommendations are on a hypothetical basis and can be concretely considered only when the General Assembly of the United Nations has decided that circumstances permit the establishment of the fund.

19. CHINA

4 May 1954

With reference to your note no. ECA 170/10/02(1), dated 23 December 1953, concerning the establishment of a special United Nations fund for economic development (SUNFED), I am instructed by my Government to inform you as follows:

(1) My Government supports the early establishment of the proposed special United Nations fund for economic development as an aid to the economic development of under-developed countries, to the achievement of full employment, and to the restoration of balance in international payments although, owing to our limited resources, my Government is not yet in a position to make material contributions.

(2) As regards chapter 3 of the SUNFED report, document E/2381, dealing with the income of the proposed special fund, my Government endorses the experts' view that, as far as possible, SUNFED should be constituted by renewable contributions on a voluntary basis. Methods should, however, be devised at the same time to ensure that the voluntary contributions will come in in a regular and steady flow.

(3) Chapter 5 of the SUNFED report outlines two methods governing the future distribution of SUNFED's resources, namely, (a) a case-by-case approach; and (b) predetermined quotas on a geographical basis. In the view of my Government, the second method is preferable to the first and should be adhered to wherever practicable.

(Signed) LIU YU-WAN

Director of the Office of the
Permanent Delegation

20. FRANCE

13 May 1954

In reply to your notes ECA 170/10/02(1) of 23 December 1953 and 28 April 1954, I have the honour to transmit to you herewith the detailed comments of my Government on the possible establishment of a special fund for grants-in-aid and for low-interest, long-term loans to the under-developed countries.

1. The French Government considers that the solution of the problem of developing the under-developed countries, the capital importance of which it appreciates, concerns not only the under-developed countries but also the more industrialized countries since it affects the stability of the world economy and its steady expansion.

As shown by the report of a group of experts appointed by the Secretary-General of the United Nations to consider measures designed to ensure full employment, and as affirmed in several resolutions of the Economic and Social Council and lastly in resolution 724 B (VIII) of the United Nations General Assembly, there is a close link between problems of employment, the balance of international trade and the maintenance of a permanent and adequate flow of capital from the industrialized to the under-developed countries.

Several studies have been carried out to determine the volume of the annual flow of capital which would make it possible simultaneously to achieve full employment, to maintain a balanced international trade and to enable the under-industrialized countries to achieve a satisfactory rate of development. In particular, the group of experts appointed by the Secretary-General of the United Nations to consider measures designed to ensure the economic development of the under-developed countries, has evaluated the approximate volume of the flow of capital required by the under-developed countries if their national incomes are to rise by two and a half per cent per annum and their per capita incomes by about two per cent.

That study led to the conclusion that the foreign capital requirements of the under-developed countries were a multiple of what they now receive; but it

was also made clear that, in order to obtain a result close to the proposed target, the industrialized countries of the world should devote about 2 per cent of their national income to the development of the under-developed countries.

In view of the size of this gap, the Economic and Social Council has rightly examined all the methods likely to increase the flow of international capital, whether private or public.

The French Government also considers that every means should be used to achieve the desired goal. It is for this reason that the representatives of France on the Economic and Social Council endorsed the vote establishing the Committee instructed to draw up a report on a special United Nations fund for economic development. And it is for this reason also that the French Government considers that the establishment of such a fund is one of the measures which may contribute to the solution of a whole group of problems on which the future of the world economy depends.

2. Reverting to the above-mentioned calculations which suggested as a target a transfer of capital amounting to about 2 per cent of the national income of the industrialized countries to the under-developed countries, the French Government feels obliged to point out that, as it has itself undertaken the development of large under-developed territories in the French Union, the latter have for several years now, been receiving from metropolitan France capital intended for economic, social and cultural investment, which in fact represents about 2 per cent of the metropolitan national income and of which a very substantial proportion is in the form of gifts.

Such an effort, undertaken simultaneously with exceptionally important work connected with its own reconstruction and equipment, places France in a special position. Firstly, it has already achieved the first objective proposed in the above-mentioned study by the experts and, secondly, any new effort which it might be called upon to make in connexion with the special fund would be a heavier burden for it than for the countries which have not yet undertaken such work, at least to the same extent.

3. Consequently, the French Government can only approve the wider application of principles which it itself applies in the under-developed territories under its administration. It must, however, emphasize that, if the States Members of the United Nations consider it possible to establish a special United Nations fund for economic development, its ability to contribute to it would be limited for the above-mentioned reasons. Thus France, anxious to take an active part in a scheme the importance of which it fully appreciates, is prepared, when the time comes, to give most favourable consideration, in the light of its own position, to the possibility of contributing to the activities of this new organization.

While reserving the right to submit during the drafting of the statutes of the special fund, amendments based mainly on the above considerations, the French Government is prepared to accept as a basis of discussion the report on a special United Nations fund for economic development (E/2381).

(Signed) H. HOPPENOT

Ambassador of France

21. FEDERAL REPUBLIC OF GERMANY

17 May 1954

The Permanent Observer of the Federal Republic of Germany to the United Nations presents his compliments to the Secretary-General of the United Nations and has the honour to refer to his communication of 23 December 1953 - ECA 170/10/02(1) regarding the establishment of a special fund for grants-in-aid and low-interest, long-term loans for the economic development of under-developed countries.

On instruction from his Government, the Permanent Observer has the honour to inform the Secretary-General that it has carefully considered this matter, and that it makes the following comments thereon:

The Government of the Federal Republic of Germany would welcome the establishment of a special United Nations fund for economic development if such a fund could contribute to give effective supplementation and improvement to the assistance already accorded in various manners to the under-developed countries.

The proposed fund, however, could only serve the goal set for it if it would receive financial means to an extent warranting the additional expenditures of administration caused thereby. The intended procedure to obtain contributions, which is based on the principle of voluntary payments on self-estimate, appears hardly suitable to secure the obtaining of sufficient means. Doubts in this respect would seem all the more justified in view of the fact that, as the debates in the Second Committee have shown, some countries of great economical importance, which might have been expected to make contributions commensurate to this importance, are not willing to participate in the proposed special fund.

The Federal Government is also of the opinion that, if the special fund were established, it should closely co-operate with the existing institutions of the United Nations, which serve directly or indirectly the economic development of the Member States, more particularly with the Expanded Programme of Technical Assistance which doubtlessly renders valuable services to the economically less developed countries. By its participation in this Programme the Federal Republic

has shown that it is fully aware of the great importance of material and moral support to under-developed countries, in spite of the heavy burdens still resting on it which, as is well known, have resulted from the integration of expellees and refugees from the Eastern territories of Germany.

The Federal Government regrets that for the time being it is not in a position to make contributions of a material nature to a new special fund for economic development beyond the above-mentioned contribution to the Expanded Programme of Technical Assistance.

22. GREECE

12 May 1954

The Acting Chargé d'Affaires of the Permanent Delegation of Greece to the United Nations presents his compliments to the Secretary-General of the United Nations and to the Department of Economic Affairs and has the honour to refer to notes No. ECA 170/10/02 (1) of 23 December 1953 and 28 April 1954 concerning the application of resolution 724 B (VIII) of the General Assembly.

The Acting Chargé d'Affaires of Greece is authorized to inform you that the Greek services which have examined the question of the establishment of a special fund for grants-in-aid and for low-interest, long-term loans to under-developed countries consider this project to be very interesting and useful and have therefore concluded that it deserves to be supported.

23. NORWAY

3 May 1954

The Permanent Representative of Norway 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 notes of 23 December 1953 and 28 April 1954 (ECA 170/10/02(1)) regarding the question of the establishment of a special fund for grants-in-aid and low-interest long-term loans.

Acting upon instructions from his Government the Permanent Representative of Norway has the honour to make the following comments on the recommendations contained in the report of the Committee of Nine and on the degree of moral and material support which may be expected from his Government.

The Norwegian Government will support efforts to establish the special fund as early as possible. However, in its opinion, it would be an unfortunate step to establish the Fund as long as the economically strong Powers find themselves unable to support the fund financially.

On the other hand, the Norwegian Government does not wish to make the establishment of the fund dependent upon the successful carrying out of disarmament plans, and it would not hesitate to make its financial contribution to the fund as soon as financial support from the great Powers shall make the establishment of the fund practically feasible.

In this connexion, the Norwegian Government would like to point out that Norway, through its aid to India, already renders assistance in materials to the development of under-developed areas.

As regards the details of the plans for the fund, the Norwegian Government doubts the usefulness of further comments until more is known about the prospects for the establishment of the fund, and it consequently reserves its rights to revert to the matter at a later stage.

With regard to the administration of the fund in particular, the Norwegian Government wishes, however, already at this stage to express its reserve towards proposals for a continued expansion of the international

organizational machinery, and it would recommend that a careful study be given to the possibility of having the proposed fund managed by or in connexion with the International Bank for Reconstruction and Development.

The Permanent Representative of Norway regrets that it has not been possible to submit to the Secretary-General the comments of the Norwegian Government at an earlier stage.

24. TURKEY 1/

The Government of the Turkish Republic is in principle in favour of the establishment of a special United Nations fund for the development of the under-developed countries. Thus it also approves, in its broad outline, the report of the Committee of Nine. It wishes, however, to draw attention to the following points. In paragraph 35 of the report it is proposed that each country should determine its own contribution. The Turkish Government is of the opinion that it would be preferable to leave it to the United Nations to determine the contribution of each country in the light of its national income.

As regards the operation of the Fund, it feels that it would be preferable to consider short-term projects first and to give priority to requests for aid from countries which are making real efforts to bring about their economic recovery by utilizing their own resources.

As regards the actual operation of the fund, the Government of the Turkish Republic regrets that in the present circumstances it would be very difficult, if not impossible, for such an international institution to operate. It may well be wondered how it would be possible to collect the sum of 250 million dollars proposed by the Committee, in view of the fact that at the present time the various expenses for defence purposes are liable to prevent even the highly developed countries from allocating the amounts required for the operation of this fund. What may be done, however, is to continue to improve the plans for the establishment of the fund so that they may be ready for immediate application as soon as circumstances permit.

1/ Received under cover of a note verbale from the Turkish Permanent Delegation to the United Nations, dated 18 May 1954.

25. UNITED STATES OF AMERICA 1/

The General Assembly has invited the Governments of Member nations to comment on the recommendations of the Committee of Nine on a special United Nations fund for economic development and to indicate the degree of moral and material support they are prepared to give to an international development fund.

The United States Government has given serious consideration to the question of supporting an international fund to provide capital for the promotion of economic development. We believe that the time is not propitious for the establishment of such a fund. International tensions make it necessary for the nations of the free world to apply large resources to the requirements of defence. As long as this situation persists, competing claims on public funds for other purposes, even though urgent, must be examined with the utmost caution. An international fund could not be successfully operated without considerable resources from many nations and to secure these would not, under present circumstances, appear feasible. The United States has already assumed commitments to promote the economic development of under-developed countries which we believe are substantial and can be adequately carried out through existing channels. In view of these considerations we are not now prepared to enter into new multilateral commitments for the support of an international development fund.

The United States Government has given concrete evidence of its deep interest in helping the peoples of under-developed countries better their economic conditions. It has provided wheat for the relief of famine, loans for development projects, technical aid in a wide range of activities, and special capital assistance to under-developed countries. It has given full support to international programmes to promote economic and social betterment, to the work of the International Bank for Reconstruction and

1/ Received under cover of a note verbale from the United States Mission to the United Nations, dated 18 May 1954.

Development, to the United Nations Expanded Programme of Technical Assistance, to the United Nations Children's Fund, to the United Nations Relief and Works Agency for Palestine Refugees, to the United Nations Korean Reconstruction Agency, and other international activities. In the post-war years, United States economic and technical aid to under-developed countries through bilateral programmes alone has aggregated \$6 billion.

We have made available in these ways such aid as we have felt able to provide in the light of the many pressing claims on United States resources. We believe that our aid has not been inconsiderable. Looking forward to the time when international trust may be restored and the burden of armaments lifted, the United States Government took the initiative in sponsoring resolution 724 A (VIII) at the recent session of the General Assembly. In offering that resolution, the United States Government made clear its intention to ask the people of the United States, when sufficient progress has been made in internationally supervised world-wide disarmament, to devote a portion of the savings achieved to an international fund, within the framework of the United Nations, to assist development in under-developed countries. We would hope to be able to join with others in using for world development and reconstruction a portion of the savings that disarmament would secure. In the period ahead, the United States Government will continue to do its utmost to help to relax international tensions and to hasten the time when nations can consider adding further resources toward the development of under-developed countries.

With regard to the recommendations of the Committee of Nine, the United States Government wishes to join in expressing its appreciation of the efforts of the members of the Committee who undertook a difficult assignment as a public service. The United States Government believes that the report will be useful to the Members of the United Nations when circumstances permit consideration of a development fund.

However, it remains the view of this Government that it is premature to seek to delineate now the organization and administration of a development fund. When sufficient progress has been made in internationally supervised world-wide disarmament, there will be time and opportunity for

Governments to convene and to consider, in the light of circumstances then existing, the most appropriate means for using for development and reconstruction a portion of the savings that will then become available. We cannot now foresee the developments that will condition our thinking and planning at that time. Sufficient progress toward convertibility may have been made so that Members might be prepared to make their contributions in freely exchangeable currencies. The International Bank, the Monetary Fund, the Technical Assistance Programme, or other international institutions may have evolved in such a way that Members would wish to establish closer links between these institutions and the proposed fund than the report now contemplates. The comments given below on the report of the Committee of Nine are not intended, therefore, as guides for blueprinting. Rather, they are matters that we believe deserve emphasis and further consideration at the appropriate time.

We are all agreed that economic development is essentially a domestic job that depends on the enterprise and discipline of citizens and the wise internal and external policies of government. An international fund can supplement local effort; it cannot be a substitute for it.

Under its term of reference the Committee of Nine was asked to consider low-interest long-term loans. International aid in the form of loans rather than grants has certain advantages. The obligation to repay is a spur to sound management of borrowed funds, and periodic repayments renew the capital of the fund for useful work elsewhere. Moreover, the relationship of borrower and lender may well be a happier one than that of donor and recipient. Serious problems are encountered, however, in extending loans rather than grants to countries whose capacity to carry further debt is doubtful. The loans as envisaged by the Committee would be subject to re-negotiation if the obligation to repay proved to be unduly burdensome. But the administrative problems raised thereby might well be disproportionate to the benefits. Moreover, by adding to the repayment obligations of its members, the fund might prejudice their ability to secure additional funds from the private market or from the International Bank and thus increase their dependence on the fund. We might

consider whether the object of replenishing the capital of the fund would not be served as well by encouraging members whose economic progress may permit them to reimburse the fund, to do so by making voluntary repayments.

In considering the disbursement of resources, the Committee placed repeated emphasis on the concept of equitable geographic distribution of funds. An international organization, of course, would give consideration to the needs of all its members and not concentrate its resources in one area alone. To accomplish its basic objective, however, the disbursements of a development fund would have to be based in the main on evidence of need and self-help rather than on geographic balance.

With regard to the nature of the contributions to the fund, the Committee considered it desirable to give contributors the right to restrict at their discretion the goods and services that their contributions might be used to secure. It cannot now be determined whether or not the restrictions that members might place on the use of their contributions would be a serious handicap to effective operation. It would depend in part on the extent to which major payments difficulties that countries now experience are eased. We would wish at this point to make only a general comment. Implied in the concept of an international fund is the idea of genuine pooling of resources. This we take to mean that many nations contribute and that each contributes real and effective resources. We must wait on future circumstances to determine how best to interpret this principle.

Among the matters considered by the Committee, the problem of determining the most effective arrangements for the control and management of an international development fund is particularly complex. Within the United Nations there are a variety of organizational arrangements each having its particular merit. In some United Nations organizations, the director has large responsibilities which he exercises during the period of his tenure with an accounting to members only at periodic intervals. In other organizations, representatives of Governments sit in continuous session and develop the policies of the organization and oversee its operations on a continuing basis; the responsibilities of

the director are correspondingly less. In some agencies, each member has an equal voice with every other member in the determination of policy. In other agencies which have adopted the principle of weighted voting, a member's voice in policy is related to the size of its contribution. Under the proposals of the Committee of Nine, contributors and recipients are evenly balanced on the policy-making board with the deciding vote in the event of a tie being cast by the director. The proposed arrangement is one with which we have had little experience in the international field. We are inclined to believe that it would not make for smooth and harmonious operations, and that it might discourage contributions.

The United States Government hopes that the time will not be long delayed when sufficient progress will have been made in internationally supervised world-wide disarmament to permit Governments to ask their people to devote a portion of the savings achieved to an international fund, within the framework of the United Nations, to assist development in under-developed countries. However, we believe it important to retain perspective in this matter. The postponement of consideration of a special fund should not hinder progress toward development. There are many national and international agencies now functioning whose purpose is to help under-developed countries accelerate their economic growth. The absence of a special fund does not mean the absence of any machinery for this task, nor does it preclude assistance from countries that feel able to make contributions to this end. For its part, the United States has done and is doing much to promote economic development. This Government will give continuing support to already-established international programmes for development and will continue to make resources available to under-developed countries through its technical co-operation and related programmes, through the loans of the Export-Import Bank, and through its programmes to promote the flow of private investment capital abroad.
