UNITED NATIONS SPECIAL FUND AND PROPOSAL FOR UNITED NATIONS CAPITAL DEVELOPMENT FUND

UNITED NATIONS SPECIAL FUND

During 1958, both the Economic and Social Council and the General Assembly took action to launch a Special United Nations Fund, to come into being on 1 January 1959, for helping in the development of the less developed countries. One of its main tasks is to provide systematic and sustained aid, on request, in fields essential to the integrated technical and social development of these countries. It is envisaged as a means to enlarge the scope of the existing technical aid and economic development activities of the United Nations and the specialized agencies.

The Fund's operations are intended to be of immediate significance in speeding the development of under-developed countries, and, it is hoped, will facilitate new capital investments of all types by creating conditions making such investments either feasible or more effective.

Membership in the Special Fund is open to all Members of the United Nations or members of the specialized agencies or of the International Atomic Energy Agency.

The Fund is financed from voluntary contributions by Governments. It may also receive donations from non-governmental sources.

The Special Fund is administered under the general authority of the Economic and Social Council and the General Assembly.

Its organs are: (1) an 18-member Governing Council (elected by the Economic and Social Council), which gives policy guidance; (2) a Managing Director (appointed for a four-year term by the Secretary-General subject to General Assembly confirmation), who is charged with over-all responsibility for the Fund's operations, and is assisted by a small staff working under him; and (3) a three-member Consultative Board to advise the Managing Director, consisting of the Secretary-General of the United Nations, the Executive Chairman of the Technical Assistance Board (TAB), and the President of the International Bank for Reconstruction and Development, or their designated representatives.

(For further details about guiding principles, organization and financing of the Special Fund, See DOCUMENTARY REFERENCES below, text of General Assembly resolution 1240(XIII).)

Also discussed by the General Assembly in 1958 was the question of setting up a United Nations Capital Development Fund.

REPORT OF PREPARATORY COMMITTEE

It was in 1957 that the General Assembly decided, unanimously, to establish the Special Fund, as of 1 January 1959.

The Assembly at the same time created a 16-member Preparatory Committee with the following tasks: (1) to define the basic fields of assistance and types of eligible projects; (2) to define the administrative and operational machinery to be recommended for the Special Fund, including such changes as might be required in the present legislation and procedures of the Expanded Programme of Technical Assistance; and (3) to ascertain to what extent Governments would be willing to contribute to the Special Fund.

The Preparatory Committee met at United Nations Headquarters from 11 March to 15 April 1958 and adopted a report for consideration by the Economic and Social Council and the General Assembly.

The Preparatory Committee's proposals on the first two questions indicated above were embodied in a set of recommendations readily transformable into a basic legal instrument for the Special Fund. The Committee recommended, inter alia, that the Special Fund should assist projects in the fields of resources (including the assessment and development of manpower), industry (including handicrafts and cottage industries), agriculture, transport and communications, building and housing, health,
To operate the Special Fund, the Committee envisaged: an 18-member Governing Council, to be elected by the Economic and Social Council; a Managing Director assisted by a staff; and a Consultative Board composed of the Secretary-General of the United Nations, the Executive Chairman of the Technical Assistance Board (TAB) and the President of the International Bank for Reconstruction and Development.

Other recommendations dealt with the principles and criteria which should guide the operations of the Special Fund, the role of the General Assembly and the Economic and Social Council with respect to the Special Fund, the role of existing agencies, the procedures for the formulation, evaluation and approval of requests and the execution of projects, and the finances of the Special Fund. The Committee also appended to its report an illustrative list of types of projects for assistance.

As to the willingness of Governments to contribute to the Special Fund, the Preparatory Committee felt that it could not report fully to the Council in view of the information before it and the limited time at its disposal. It therefore asked the Secretary-General to invite Governments to provide as precise information as possible on the extent to which they would be willing to contribute.

CONSIDERATION BY ECONOMIC AND SOCIAL COUNCIL

The Preparatory Committee's report was considered at the twenty-sixth session of the Economic and Social Council in mid-1958.

In the course of the debate, the Council discussed the merits of this new programme of assistance to under-developed countries and its position in the general framework of financing economic development.

While generally welcoming the establishment of the Special Fund as a step forward, several members, particularly Chile, the Netherlands and Yugoslavia, regretted that a capital development fund could not have been established. Greece, Poland and others felt that the Special Fund should be considered as a preliminary step towards agreement on such a fund. Still others, particularly Pakistan, thought that the Special Fund was the only compromise conceivable in the absence of internationally supervised world-wide disarmament.

Most representatives welcomed the Preparatory Committee's recommendations as a sound basis for the early establishment of the Special Fund.

The Council was generally agreed that the Special Fund should assist under-developed countries in a sustained and systematic manner to train their manpower and to assess and make use of their natural resources more productively. The Special Fund should undertake surveys and research and training projects of considerable scope and depth in such fields as agriculture, industry, communications and administration, and it should be able to assume financial commitments over long periods of time and to provide relatively large amounts of supplies and equipment for its projects.

The general administrative structure recommended by the Preparatory Committee found wide acceptance in the Council.

The recommendation for the establishment of a Consultative Board, however, was the subject of some controversy. In the view of most representatives, the Board would be an essential instrument of co-ordination. The representative of France thought that the Board's three members were particularly qualified in matters of assistance in under-developed countries.

In Canada's view, the representation of the Bank on the Special Fund's Board would ensure that the programmes selected would, as far as possible, result in an increased flow of capital to deserving projects. The USSR argued, on the other hand, that the Special Fund should be an autonomous institution in which the International Bank should not be endowed with any special rights. Yugoslavia agreed to the establishment of the Consultative Board only because its functions were to be purely advisory and not of a policy-making nature.

As to participation in the Special Fund, the USSR representative considered that the Preparatory Committee was being unduly restrictive in recommending that participation be open to Members of the United Nations or members of the specialized agencies or of the International Atomic Energy Agency. He recommended that any State wishing to join should be allowed to participate.
On the matter of contributions, India, Indonesia, Poland, Sudan, the USSR and others held that participating countries should be allowed to contribute in national currencies or that countries with a difficult foreign exchange situation should be allowed to make contributions in their own currencies or in the currency best suited to their situation. Canada and the United States, on the other hand, regretted that the Committee had not found it suitable to provide for a minimum of convertibility in contributions to be made by Governments.

Concern was expressed at the fact that only a few Governments had replied in encouraging terms to the Secretary-General's inquiry about their willingness to contribute. The representatives of Canada, Chile, the United Kingdom and the United States announced the decisions of their Governments to seek parliamentary approval for a contribution.

On 31 July 1958, the Council unanimously adopted a resolution (692 (XXVI)) to which the recommendations of the Preparatory Committee were annexed in the form of a draft resolution for adoption by the General Assembly.

The Council thereby appealed to all Members of the United Nations or members of the specialized agencies to give the Special Fund the greatest possible assistance, expressing the hope that all Governments would be able to announce their contributions for 1959 at a Pledging Conference to be held later in 1958.

The resolution to this effect was based on a proposal introduced in the Council's Economic Committee by Canada, Chile, France, Mexico, the Netherlands, Pakistan, the United Kingdom, the United States and Yugoslavia.

**CONSIDERATION BY GENERAL ASSEMBLY**

At the General Assembly's thirteenth session, debate on the establishment of the Special Fund took place in the Second (Economic and Financial) Committee. This Committee was called upon to decide on the recommendations of the Preparatory Committee which the Economic and Social Council had endorsed.

Two major lines of thought emerged during the Second Committee's debate.

One group of representatives favoured adoption of the Preparatory Committee's recommendations without any changes, as advocated by the Economic and Social Council. They argued that the Preparatory Committee's recommendations were the outcome of lengthy deliberations and represented a compromise. It would thus be unwise to reopen the issue. This was the view of Canada, Denmark, France, New Zealand, Philippines, the United Kingdom and the United States. Italy, Mexico and Peru contended that the recommendations, despite certain imperfections, marked a major advance towards the establishment of the Special Fund, which should not be delayed. Thailand pointed out that the recommendations met with the approval of those Governments which would take on the major responsibility in financing the Special Fund.

Twenty-seven powers of this school of thought submitted a draft resolution whereby the Assembly was asked to adopt the recommendations of the Preparatory Committee without change. The draft resolution also noted that in 1957 the General Assembly had decided that as and when it considered that the resources expected to be available were sufficient to enter into the field of capital development, it would review the scope and future activities of the Special Fund and take such action as it might consider appropriate.

The 27 sponsors of this text were: Argentina, Belgium, Chile, China, Colombia, Costa Rica, Cuba, Denmark, Dominican Republic, France, Haiti, Italy, Iran, Japan, Laos, Liberia, Luxembourg, the Netherlands, Norway, Pakistan, Peru, Philippines, Spain, Thailand, Turkey, the United Kingdom and the United States.

A second group of representatives advocated changing the recommendations of the Preparatory Committee on the election of the Governing Council. The Preparatory Committee called for election of the Governing Council of the Special Fund by the Economic and Social Council. These representatives felt that the Governing Council should be elected by the General Assembly. Among their arguments were the following: All the participants in the Special Fund should be given an opportunity to elect the Fund's executive body. The Special Fund was a new type of institution, not simply another subordinate body of the Economic and Social Council. The idea of the Special Fund
was born in the General Assembly and derived its force from the opinion of the vast majority of the Assembly's Members. Those subscribing to one or other of these views included Ghana, India, Indonesia and the United Arab Republic.

In reply, Japan, Norway, the United States and others observed that the Economic and Social Council was the organ primarily responsible for co-ordinating United Nations economic and social activities.

The Netherlands representative added that the Preparatory Committee had worked out carefully balanced recommendations ensuring that the General Assembly and the Economic and Social Council exercised the powers assigned to them by the United Nations Charter. In particular, the Preparatory Committee had expressly provided that the Assembly would exercise supreme supervisory functions in respect of the Special Fund's progress and operations.

Seventeen powers proposed amending the 27-power text so as to have the Assembly elect the Governing Council and to have the Assembly appeal to Member States to work for the speedy establishment of a United Nations capital development fund. The sponsors of this proposal were: Afghanistan, Brazil, Burma, Ceylon, Ethiopia, Ghana, Greece, India, Indonesia, Iraq, Libya, Morocco, Saudi Arabia, Sudan, United Arab Republic, Yemen and Yugoslavia.

Several representatives, especially those from the under-developed countries, emphasized that the Special Fund was only to be considered as a first step towards a capital development fund and that specific reference to this ultimate goal should be made in the General Assembly resolution establishing the Special Fund. This was considered indispensable in order to bring out that the idea of a Special United Nations Fund for Economic Development (SUNFED) had not been set aside.

In support of the SUNFED idea, the USSR representative recalled that the Soviet Minister of Foreign Affairs had recently proposed a 10 to 15 per cent reduction in the military budgets of the Soviet Union, the United States, the United Kingdom and France. Adopting this measure would free large funds which could be used to finance SUNFED.

In this connexion, the United States representative observed that, as early as 1953, the President of the United States had proposed that part of the savings achieved through an agreement on internationally controlled disarmament should be devoted to a multilateral economic assistance fund.

In the course of the debate, the Chairman of the Second Committee submitted a draft resolution in an effort to combine all the points common to the texts of the two groups. After rejection of various amendments, the Chairman's text was approved by the Second Committee on 13 October 1958 by 73 votes to 0, with 1 abstention. The Assembly also adopted it at a plenary meeting on 14 October 1958, by 77 votes to 0, with 1 abstention, as resolution 1240(XIII).

DECISION ON SPECIAL FUND

The Assembly thereby established the Special Fund in accordance with the provisions laid down by the Preparatory Committee. It also reaffirmed its decision of 14 December 1957 (resolution 1219(XII)) to review the scope and future activities of the Special Fund, and take such action as it might deem appropriate when it considered there were enough funds available to enter into the field of capital development.

On 5 December 1958, the Assembly unanimously confirmed the appointment of Paul G. Hoffman for the post of Managing Director of the Special Fund. His name was submitted by the Secretary-General after consultation with the Governing Council.

On 23 October 1958, the Economic and Social Council, at its resumed twenty-sixth session, elected the 18 members of the Governing Council of the Special Fund. (For details see Annex II of this Yearbook.)

At the end of 1958, plans were made to hold the first session of the Governing Council in January 1959 to deal primarily with matters relating to the general organization of the work of the Special Fund. A second session of the Governing Council was scheduled to be held in May 1959, at which session the Council was expected to have before it a first programme of operations recommended by the Fund's Managing Director on the basis of requests received from Governments up to the middle of March 1959.
PLEDGES FOR SPECIAL FUND

On October 24, 1958, at a United Nations Pledging Conference held at United Nations Headquarters to receive contribution pledges for the Expanded Programme of Technical Assistance and the Special Fund, 41 Governments made firm pledges to the Special Fund, totalling approximately $21.5 million. At the end of 1958, on the basis of available information, it could be reasonably assumed that contributions equivalent to at least $26 million would be pledged by Governments for 1959. (For details, see table below.)

PROPOSAL FOR CAPITAL DEVELOPMENT FUND

In a separate resolution 1317(XIII), adopted on 12 December 1958 by 67 votes to 0, with 14 abstentions, the Assembly called upon United Nations Member States to consider appropriate contributions to the Special Fund in order to achieve the volume of resources envisaged by General Assembly resolution 1219(XII), and urged them to continue working for the establishment of a United Nations capital development fund. By the same resolution, the Assembly further decided to continue to review, as a separate subject of its agenda, progress in the field of financing the economic development of less developed countries, particularly progress towards the establishment of a United Nations capital development fund.

This resolution was adopted on the recommendation of the Second Committee, which approved it on 28 November 1958 by a roll-call vote of 58 to 0, with 18 abstentions, on the basis of a proposal by Afghanistan, Burma, Ceylon, Chile, Ethiopia, Ghana, Greece, India, Indonesia, Iraq, Lebanon, Morocco, the Netherlands, Tunisia, United Arab Republic and Yugoslavia.

PLEDGES TO THE SPECIAL FUND
(As of January 1959)

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<tr>
<th>Country</th>
<th>In local currency</th>
<th>U.S. dollar equivalent</th>
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<td>Morocco</td>
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</table>
Country | In local currency | U.S. dollar equivalent
--- | --- | ---
Netherlands | 9,272,400 Netherlands guilders | 2,440,105
New Zealand | £NZ25,000 | 70,000
Pakistan | Pakistan rupees 500,000 | 104,998
Panama | 100 | 
Paraguay | 10,000 | 
Peru | 10,000 | 
Philippines | Philippine pesos 132,000 | 66,000
Poland | Zlotys 500,000 | 125,000
Portugal | 10,000 | 
Romania | Lei 100,000 | 16,667
Sweden | | 
Thailand | | 
Tunisia | | 
Turkey | | 
Ukrainian SSR | Rubles 500,000 | 125,000
Union of Soviet Socialist Republics | Rubles 4,000,000 | 1,000,000
United Arab Republic | Egyptian £100,000 | 287,191
United Kingdom | | 
United States | | 
Viet-Nam | | 
Yugoslavia | Dinars 45,000,000 | 150,000

* Will contribute same proportion to the Special Fund as to the Expanded Programme of Technical Assistance.

* A maximum of Danish kroner 8.8 million ($1,274,070) was pledged to the Expanded Programme of Technical Assistance and the Special Fund on the assumption that a total of $100 million would be reached. The amounts indicated are the minimum contributions to the two programmes.

* Approximation; final contribution to be announced later. The U.S. dollar equivalent is computed at the rate of exchange which went into effect on 29 December 1958.

* A contribution of Deutschemarks 7 million ($1,666,667) has been pledged to the Expanded Programme of Technical Assistance and the Special Fund. The distribution of this amount between the two programmes is to be announced later.

* U.S. dollar equivalent computed at the exchange rate of the French franc which went into effect on 29 December 1958.

* A total of Swedish kroner 15 million ($2,899,671) was announced for the Expanded Programme of Technical Assistance and the Special Fund. The division of this amount between the two programmes is to be announced later.

* Will contribute same proportion to the Special Fund as to the Expanded Programme of Technical Assistance.

* A contribution of $38 million was pledged to the Expanded Programme of Technical Assistance and the Special Fund. The contribution is subject to the condition that it will not exceed 40 per cent of the total contributions to the two programmes. The specific amounts for each programme will be announced when pledges of other Governments are known.

**DOCUMENTARY REFERENCES**

**UNITED NATIONS SPECIAL FUND**

**ECONOMIC AND SOCIAL COUNCIL——26TH SESSION**

Plenary Meetings 1037-1039, 1043.

Economic Committee, meetings 253-255.


E/3153 and Add.1-3. Replies received to inquiry by Secretary-General regarding extent of willingness of Governments to contribute to Special Fund.

E/AC.6/L.228 and Corr.1. Canada, Chile, France, Mexico, Netherlands, Pakistan, United Kingdom, United States, Yugoslavia draft resolution adopted unanimously by Economic Committee on 30 July 1958, meeting 255.

E/AC.6/L.229. USSR amendment to 9-power draft resolution, E/AC.6/L.228.


**RESOLUTION 692(XXVI)**, as submitted by Economic Committee, E/3176, adopted unanimously by Council on 31 July 1958, meeting 1043.

**A**

The Economic and Social Council,

Noting the decision of the General Assembly contained in resolution 1219(XII) of 14 December 1957 to establish a Special Fund which would provide systematic and sustained assistance in fields essential
ECONOMIC DEVELOPMENT OF UNDER-DEVELOPED COUNTRIES

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to the integrated technical, economic and social development of the less developed countries.

"Noting the conditions envisaged in section III of General Assembly resolution 1219(XII), under which the Assembly shall review the scope and future activities of the Special Fund and take such action as it may deem appropriate,

"1. Concurs with the recommendations contained in the report of the Preparatory Committee, and transmits it herewith to the General Assembly;

"2. Recommends that the General Assembly adopt the draft resolution annexed hereto, setting forth the provisions governing the Special Fund;

"3. Draws the attention of the General Assembly to the report of the Preparatory Committee made during the twenty-sixth session of the Council."

Annex. Draft Resolution Recommended for Adoption by General Assembly

"The General Assembly,

"Recalling its resolution 1219 (XII) of 14 December 1957,

"1. Commends the Preparatory Committee on its work;

"2. Establishes a Special Fund in accordance with the provisions set forth below: [These provisions are identical with those cited below in Part B of General Assembly resolution 1240(XIII)]."

B

"The Economic and Social Council,

"Considering that the success of the Special Fund depends, inter alia, on its financial resources,

"Noting from section C of the report of the Preparatory Committee and from the replies received to the inquiry by the Secretary-General regarding the willingness of Governments to contribute to the Special Fund that so far few Governments have been able to indicate the size of their contribution to the Fund,

"1. Appeals, in conformity with paragraph 12 of resolution 1219 (XII) of the General Assembly of 14 December 1957, to all States Members of the United Nations or of the specialized agencies to give the Special Fund the greatest possible assistance;

"2. Requests the Secretary-General to make arrangements for the announcement of contributions to the Special Fund as envisaged in paragraph 47 of the Preparatory Committee's recommendations;

"3. Expresses the hope that all Governments will be able to announce their contributions for 1959 at the forthcoming pledging conference."

C

"The Economic and Social Council,

"Concurs with paragraph 10 of the recommendations of the Preparatory Committee according to which the Economic and Social Council would establish a Committee of the Council, to assist in the examination of the reports submitted to the Council concerning the Special Fund and the Expanded Programme of Technical Assistance, and of such questions relating to their operations as the Council may refer to it."

GENERAL ASSEMBLY—13TH SESSION

Plenary Meeting 776.
Second Committee, meetings 513-528.

A/3848. Report of Economic and Social Council to General Assembly, Chapter II, Section I.
A/3909. Questions relating to economic development. Memorandum by Secretary-General.
A/3910. Replies received to inquiry by Secretary-General regarding extent of willingness of Governments to contribute to Special Fund.
A/G.2/L.362 and Rev.1. Afghanistan, Brazil, Burma, Ceylon, Ethiopia, Ghana, Greece, India, Indonesia, Iraq, Libya, Morocco, Saudi Arabia, Sudan, United Arab Republic, Yemen, Yugoslavia draft resolution and revision.
A/C.2/L.363. Add.1 and 2. and Rev.1. Argentina, Belgium, Chile, China, Colombia, Costa Rica, Cuba, Denmark, Dominican Republic, France, Haiti, Italy, Iran, Japan, Laos, Liberia, Luxembourg, Netherlands, Norway, Pakistan, Peru, Philippines, Spain, Thailand, Turkey, United Kingdom, United States draft resolution and revision.
A/C.2/L.364. Note by Chairman of Second Committee containing draft resolution, as amended by Netherlands and Thailand (A/C.2/L.367), adopted by Second Committee on 13 October 1958, meeting 528, by 73 votes to 0, with 1 abstention.
A/C.2/L.366. Afghanistan, Brazil, Burma, Ceylon, Ethiopia, Ghana, Greece, India, Indonesia, Iraq, Libya, Mexico, Morocco, Saudi Arabia, Sudan, United Arab Republic, Yemen, Yugoslavia revised amendment to draft resolution contained in note by Chairman, A/C.2/L.364.

"The General Assembly,

"In conformity with the determination of the United Nations, as expressed in its Charter, to promote social progress and better standards of life in larger freedom and, for these ends, to employ international machinery for the promotion of the economic
and social advancement of all peoples,

"Conscious of the particular needs of the less
developed countries for international aid in achieving
accelerated development of their economic and social
infrastructure,

"Recalling its resolution 1219(XII) of 14 December
1957,

"Further recalling previous resolutions on the
establishment of an international fund for economic
development within the framework of the United
Nations,

"Noting the recommendations contained in Eco-

nomic and Social Council resolution 692 (XXVI) of
31 July 1958,

Part A

1. Commends the Preparatory Committee on its
work;

2. Establishes a Special Fund in accordance with
the provisions set forth in part B below;

Part B

I. Guiding Principles and Criteria

1. Pursuant to the provisions of General Assembly
resolution 1219(XII) and pending a review by the
Assembly of the scope and future activities of the
Special Fund, as envisaged in section III of that
resolution, the Special Fund shall:

"(a) Be a separate fund;

"(b) Provide systematic and sustained assistance
in fields essential to the integrated technical, economic
and social development of the less developed countries;

"(c) In view of the resources prospectively avail-
able at this time, which are not likely to exceed $100
million annually, direct its operations towards enlarg-
ing the scope of the United Nations programmes of
technical assistance so as to include special projects in
certain basic fields as outlined hereunder.

The Special Fund is thus envisaged as a constructive
advance in United Nations assistance to the less
developed countries which should be of immediate
significance in accelerating their economic develop-
ment by, inter alia, facilitating new capital investments
of all types by creating conditions which would make
such investments either feasible or more effective.

2. In establishing programmes, the Managing
Director and the Governing Council of the Special
Fund shall be guided by the following principles and
criteria:

"(a) The Special Fund shall concentrate, as far as
practicable, on relatively large projects and avoid
allocation of its resources over a great number of
small projects;

"(b) Due consideration shall be given to the
urgency of the needs of the requesting countries;

"(c) Projects shall be undertaken which will lead to
early results and have the widest possible impact in
advancing the economic, social or technical develop-
ment of the country or countries concerned, in par-
cular by facilitating new capital investment;

"(d) Due consideration shall be given to a wide
geographical distribution in allocations over a period
of years;

"(e) Due consideration shall be given to technical,
organizational and financial problems likely to be
encountered in executing a proposed project;

"(f) Due consideration shall be given to the
arrangements made for the integration of projects into
national development programmes and for effective
co-ordination of the project with other multilateral
and bilateral programmes;

"(g) In accordance with the principles of the
Charter of the United Nations, the assistance furnished
by the Special Fund shall not be a means of foreign
economic and political interference in the internal
affairs of the country or countries concerned and shall
not be accompanied by any conditions of a political
nature;

"(h) Projects shall be devised in such a way as to
facilitate transfer, as soon as practicable, of the re-
responsibilities of the Special Fund to assisted coun-
tries or to organizations designated by them.

3. Projects may be for one country or a group
of countries or a region.

4. Projects may be approved for the period of
time needed for their execution, even if more than
one year.

II. Basic Fields of Assistance and Types of Project

5. The Special Fund shall assist projects in the
fields of resources, including the assessment and de-
velopment of manpower, industry, including handi-
crafts and cottage industries, agriculture, transport
and communications, building and housing, health,
education, statistics and public administration.

6. In view of the resources prospectively available
at the time of the initial period of the Special Fund's
operations, projects to be assisted by the Fund might
be in one or a combination of the following forms:
surveys; research and training; demonstration, includ-
ing pilot projects. These may be implemented by the
 provision of staff, experts, equipment, supplies and
services, as well as the establishment of institutes,
demonstration centres, plants or works, and other
appropriate means, including fellowships, in so far as
they are integral parts of a specific project financed
by the Fund, in such proportions as are judged
necessary by the Managing Director for each project,
taking into account the type of assistance requested
by Governments.

III. Participation in the Special Fund

7. Participation in the Special Fund shall be open
to any States Members of the United Nations or
members of the specialized agencies or of the Inter-
national Atomic Energy Agency.

IV. Organization and Management

8. There are established as organs of the Special
Fund: a Governing Council, a Managing Director
and his staff, and a consultative board. The Special
Fund shall be an organ of the United Nations ad-
ministered under the authority of the Economic and
Social Council and of the General Assembly, which
will exercise in respect of the Fund their powers
under the Charter.

9. The Economic and Social Council shall be
responsible for the formulation of the general rules
and principles which will govern the administration
and operations of the Special Fund; the review of the
operations of the Fund on the basis of the annual
reports to be submitted by the Governing Council; and the consideration of the Expanded Programme of Technical Assistance and of the Special Fund in relation to each other.

10. The Economic and Social Council shall transmit the report of the Governing Council, together with its own comments, to the General Assembly. The Assembly will review the progress and operations of the Special Fund as a separate subject of its agenda and make any appropriate recommendations.

Governing Council

11. The immediate inter-governmental control of the policies and operations of the Special Fund shall be exercised by a Governing Council which will consist of representatives of eighteen States.

12. The Governing Council shall provide general policy guidance on the administration and operations of the Special Fund. It shall have final authority for the approval of the projects and programmes recommended by the Managing Director. It shall review the administration and the execution of the Fund's approved projects, and shall submit reports and recommendations to the Economic and Social Council, including such recommendations as the Governing Council may deem appropriate in the light of the relevant provisions of General Assembly resolution 194 (III).

13. The States members of the Governing Council shall be elected by the Economic and Social Council from among Members of the United Nations or members of the specialized agencies or of the International Atomic Energy Agency.

14. There shall be equal representation on the Governing Council of economically more developed countries, on the one hand, having due regard to their contributions to the Special Fund, and of less developed countries, on the other hand, taking into account the need for equitable geographical distribution among the latter members.

15. States members of the Governing Council shall be elected for a term of three years, provided, however, that of the members elected at the first election, the terms of six members shall expire at the end of one year and the terms of six other members at the end of two years. Retiring members shall be eligible for re-election.

16. Decisions of the Governing Council on important questions shall be made by a two-thirds majority of the members present and voting. These questions shall include questions of policy, the approval of projects and the allocation of funds. Decisions of the Governing Council on other questions shall be made by a majority of the members present and voting.

17. The Governing Council shall adopt its own rules of procedure, including the method of selecting its officers.

18. The Governing Council shall normally meet twice a year and on such occasions as may be necessary, in conformity with its rules of procedure.

19. The Managing Director of the Special Fund shall participate without vote in the deliberations of the Governing Council.

20. The Governing Council shall make appropriate arrangements in its rules of procedure for the representation of the specialized agencies, the International Atomic Energy Agency and the Executive Chairman of the Technical Assistance Board. To this end, it shall take due account of the practice followed by the Economic and Social Council.

Managing Director

21. The Special Fund shall be administered by a Managing Director under the policy guidance of the Governing Council. The Managing Director shall have the over-all responsibility for the operations of the Fund, with sole authority to recommend to the Governing Council projects submitted by Governments.

22. After having consulted the Governing Council, the Secretary-General will appoint the Managing Director, subject to confirmation by the General Assembly.

23. The Managing Director shall be appointed for a term of four years, or for a shorter period. He shall be eligible for reappointment.

24. Appropriate arrangements shall be made for the participation of the Managing Director in the Technical Assistance Board.

25. The Managing Director shall establish and maintain close and continuing working relationships with the specialized agencies concerned with those fields of activity in which the Special Fund will operate, and with the International Atomic Energy Agency. He may also establish appropriate contacts with other organizations which may be concerned with the activities of the Fund.

Consultative Board

26. A Consultative Board shall be established to advise the Managing Director. The function of the Board shall be to assist the Managing Director with advice in the examination and appraisal of project requests and proposed programmes of the Special Fund. The Board shall be composed of the Secretary-General of the United Nations, the Executive Chairman of the Technical Assistance Board and the President of the International Bank for Reconstruction and Development or their designated representatives.

27. The Managing Director shall make, as appropriate, arrangements for representatives of the specialized agencies and of the International Atomic Energy Agency to be invited to the deliberations of the Consultative Board when projects mainly within their fields of activity are considered.

Staff

28. The Managing Director shall be assisted by a small group of officials to be selected by him or in consultation with him, on the basis of their special competence.

29. For other services, the Managing Director shall rely as far as possible on the existing facilities of the United Nations, the specialized agencies, the International Atomic Energy Agency, and the Technical Assistance Board. These facilities should be made available to the Special Fund without charge except when clearly identifiable additional expenses are involved. The Managing Director may also, as re-
Sources and formulation of requests

"30. To facilitate the field co-ordination between the Special Fund and the Expanded Programme of Technical Assistance in the countries seeking assistance, the Managing Director shall enter into an agreement with the Executive Chairman of the Technical Assistance Board concerning the role of the resident representatives in the work of the Fund.

V. Procedures

"31. Projects shall be undertaken only at the request of a Government or group of Governments eligible to participate in the Special Fund.

"32. Governments shall present their requests for assistance in a form indicated by the Managing Director. Requests shall include all possible information on the intended use and benefits expected to be derived from the Special Fund’s assistance, evidence of a technical nature regarding the projects for which assistance is requested, data bearing upon the economic appraisal of such projects, and statements concerning the part of costs which the Government itself would be ready to assume. The Special Fund, the Expanded Programme of Technical Assistance, the United Nations, the specialized agencies and the International Atomic Energy Agency should be ready to assist and advise Governments, at their request, in the preparation of their applications for assistance.

"33. The Special Fund shall utilize only the official channel designated by each Government for the submission of requests.

Evaluation and approval of requests

"34. The Managing Director shall be responsible for the evaluation of project requests. In this evaluation, he will normally be expected to rely upon the assistance of existing services within the Expanded Programme of Technical Assistance, the United Nations, the specialized agencies and the International Atomic Energy Agency. He shall also be authorized to contract for the services of other agencies, private firms or individual experts for this purpose, in case the services of the United Nations, the specialized agencies or the International Atomic Energy Agency are wholly or partly unavailable or inadequate.

"35. On the basis of the evaluation of project requests, the Managing Director shall periodically develop programmes for submission to the Governing Council. In developing his recommendations to the Governing Council, he shall consult the Consultative Board.

"36. The Managing Director shall, at the request of the Government or Governments which have submitted such projects, submit to the Governing Council for its consideration a report on project requests which he has been unable to include in his programme.

"37. The Governing Council shall examine the programmes and projects submitted by the Managing Director. Each project shall be accompanied by:

‘(a) An evaluation of the benefits expected to be derived by the requesting country or countries;

‘(b) A summary of its technical evaluation;

‘(c) A proposed budget showing the financial implications of the project in their entirety, including a statement on the costs which would be borne by the recipient Governments;

‘(d) A draft agreement with the requesting Government or Governments;

‘(e) When appropriate, a draft agreement with the agent or agents responsible for the execution of the project.

"38. The Governing Council shall take final decision on the projects and programmes recommended by the Managing Director and authorize him to conclude the appropriate agreements.

Execution of projects

"39. Projects shall be executed, whenever possible, by the United Nations, by the specialized agencies concerned, or by the International Atomic Energy Agency, it being understood that the Managing Director shall also be authorized to contract for the services of other agencies, private firms or individual experts in the cases mentioned in paragraph 34 above.

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

"41. Where requests for assistance fall within the sphere of two or more organizations, arrangements shall be made for joint execution by the organization concerned and for proper co-ordination.

"42. The Managing Director shall make appropriate arrangements to follow the execution of projects.

"43. The Managing Director shall report to the Governing Council on the status of projects and the financial position of the projects and programmes.

"44. The Managing Director and the Governing Council shall take appropriate measures to ensure an objective evaluation of the results of projects and programmes.

VI. Finances

"45. The financial resources of the Special Fund shall be derived from voluntary contributions by Governments of States Members of the United Nations or members of the specialized agencies or of the International Atomic Energy Agency. The Fund is also authorized to receive donations from non-governmental sources. It is recommended that contributions by Governments should be paid as early in each year as possible. Furthermore, while contributions will normally be on an annual basis, it is recommended, in view of the expected longer term of many of the Fund’s projects, that contributions be pledged or indicated, whenever possible, for a number of years.

"46. The Secretary-General is requested to convene annually a pledging conference at which Governments would announce their contributions to the Expanded Programme of Technical Assistance and to the Special Fund respectively. If a Government pledges an initial lump sum, it should, within a reasonably short period, indicate the division of its contribution between the two programmes.

"47. Contributions shall be made by Governments
in currency readily usable by the Special Fund consistent with the need for efficiency and economy of the Fund's operations, or shall be transferable to the greatest possible extent into currency readily usable by the Fund. To this end, Governments are urged to make available as large a percentage as they may find possible of their contributions in such currency or currencies as the Managing Director may indicate are required for the execution of the Fund's programme. The Managing Director should, consistent with the criteria set forth respecting the nature and utilization of contributions, endeavour to make the fullest possible use of available currencies.

"48. The Managing Director shall, at the end of the first year of the operations of the Special Fund and subsequently as he deems necessary, report to the Governing Council for its consideration on the extent to which restrictions which may have been maintained on contributions have affected the flexibility, efficiency and economy of the Fund's operations. The Governing Council shall also consider what action may be necessary with respect to currency found not readily usable in order to facilitate the Fund's operations. Any action in this respect shall be subject to review by the Economic and Social Council and the General Assembly.

"49. Contributions shall be made without limitation as to use by a specific agency or in a specific recipient country or for a specific project.

"50. To the end that the multilateral character of the Special Fund shall be strictly respected, no contributing country should receive special treatment with respect to its contribution nor should negotiations for the use of currencies take place between contributing and receiving countries.

"51. Since programmes shall be developed on a project basis, there should be no a priori allocation of funds on a country basis or among basic fields of assistance.

"52. Recipient Governments shall be expected to finance part of the costs of projects, at least that part payable in local currency. This general rule may, however, be waived in the case of countries deemed financially unable to make even a local currency payment.

"53. The Special Fund shall be governed by financial regulations consistent with the financial regulations and policies of the United Nations. The financial regulations for the Fund shall be drafted by the Secretary-General of the United Nations, in consultation with the Managing Director, for approval by the Governing Council, after review by the Advisory Committee for Administrative and Budgetary Questions. In the preparation of these regulations, account shall be taken of the special requirements of the Fund's operations; in particular, appropriate provision shall be made to permit the approval of projects of more than one year's duration and for an exchange of currencies between the Fund and the Special Account for the Expanded Programme of Technical Assistance. Provision should also exist under which the Managing Director is authorized in consultation with the Governing Council to establish appropriate financial rules and procedures.

"54. The administrative budget prepared by the Managing Director with the assistance of the Secretary-General of the United Nations shall be submitted for approval to the Governing Council with the comments, if any, of the Advisory Committee on Administrative and Budgetary Questions. It shall be submitted to the General Assembly at the same time as the annual report of the Governing Council with the comments of the Advisory Committee on Administrative and Budgetary Questions.

"55. The Special Fund shall be authorized to build up gradually a reserve fund by earmarking a specific percentage of the total contributions of each year up to an amount to be determined by the Governing Council on the recommendation of the Managing Director.

"56. The Governing Council shall be authorized to consider allocating part of the resources of the Special Fund for assistance on a refundable basis at the request of Governments for projects within the terms of reference of the Fund.

"Reaffirms the conditions set forth in section III of General Assembly resolution 1219(XII) under which the Assembly shall review the scope and future activities of the Special Fund and take such action as it may deem appropriate."

GOVERNING COUNCIL OF SPECIAL FUND
ECONOMIC AND SOCIAL COUNCIL—RESUMED 26TH SESSION
Plenary Meeting 1045.

APPOINTMENT OF MANAGING DIRECTOR
GENERAL ASSEMBLY—13TH SESSION
Plenary Meeting 782.

A/4024. Establishment of Special Fund. Confirmation of appointment of Managing Director. Note by Secretary-General.

PLEDGES FOR SPECIAL FUND
1958 Pledging Conference on Expanded Programme of Technical Assistance and Special Fund, meetings 1, 2.

A/CONF.16/1. Statement of contributions pledged for 1959 to Expanded Programme of Technical Assistance and to Special Fund. Memorandum by Secretary-General.

PROPOSAL FOR CAPITAL DEVELOPMENT FUND
GENERAL ASSEMBLY—13TH SESSION
Plenary Meeting 788.

Second Committee, meetings 564—567.

A/C.2/L.386 and Add.1, 2. Afghanistan, Burma, Ceylon, Chile, Ethiopia, Ghana, Greece, India, Indonesia, Iraq, Lebanon, Morocco, Netherlands, Tunisia, United Arab Republic, Yugoslavia draft resolution, as amended by Brazil and Mexico,
INTERNATIONAL FLOW OF PRIVATE CAPITAL

The role of foreign private capital in financing the economic development of under-developed countries was again taken up by the Economic and Social Council at its twenty-sixth session in mid-1958. Before the Council was a report entitled The International Flow of Private Capital, 1957, prepared by the Secretary-General as requested by General Assembly resolution 1035(XI) of 26 February 1957.

During 1957, the report indicated, the flow of international private long-term capital was apparently higher than in 1956, already a record year in the post-war period. The peak appeared to have been reached around the middle of 1957. In the second half of the year gross capital exports declined, though still high compared with the years before 1956.

The United States continued to be the principal provider of private long-term investment capital, furnishing about two thirds of the total. The United Kingdom ranked second with one sixth. Other important suppliers were Belgium, Luxembourg, the Federal Republic of Germany and the Netherlands. The gross outflow from
both Canada and Switzerland declined fairly sharply as compared with 1956. The under-developed countries appeared to have increased their share of the world's gross private capital imports in 1957. Substantial increases took place in Latin America, notably in Venezuela, Brazil and Mexico. In the developed countries, outstanding increases in gross inflow took place in the case of the Federal Republic of Germany, France and the Netherlands. Canada continued to be the world's largest importer of private long term capital, despite a decline in 1957.

During 1957, the report added, portfolio investment remained much less important than direct investment, which continued to provide the bulk of the outflow. The petroleum industry was, in 1957 as in earlier years, the chief area of foreign private investment, although investment tapered off in the second half of the year. The bulk of direct investment in manufacturing went to developed and semi-developed countries, but there were indications that such investment had increased in the under-developed countries, notably of Latin America.

An important development in 1957 was a considerable increase in imports into under-developed countries of capital equipment bought without current foreign exchange. The suppliers of such equipment received in payment either equities in the enterprise which was to own and operate the new machinery or had to provide medium-term credits for a period usually of five years. Several countries in Latin America, among them Brazil, and in Asia, among them India, obtained considerable new investments in this way.

Increasing attention was given by both capital-exporting and capital-importing countries to the need for practical measures to promote the international flow of private long-term capital. In the principal capital-exporting countries, outflow was stimulated by government measures on the provision of investment guarantees, export credits and special loans, and on the relaxation of exchange control and taxation on foreign income.

Many under-developed countries took measures—mainly in exchange control and incentive legislation—which had the effect of improving the investment climate of their countries. Such measures dealt to an increasing degree with the development of manufacturing industries and to a lesser extent with the petroleum, mining and public utilities industries.

During the debate in the Economic and Social Council, the representatives of China, Pakistan, the United Kingdom, the United States and others expressed satisfaction that the international flow of private capital had more than maintained itself in 1957.

Differing opinions were expressed on the role of private capital in financing a faster rate of economic development compared with that of international aid. Most members, among them Greece, Indonesia, Pakistan and Yugoslavia, noted that a large proportion of foreign capital was invested in extractive industries, especially the petroleum industry, while investment in manufacturing, which was of particular importance to the less advanced economies, was made for the most part in industrialized countries. It was also noted that little private capital had gone to South and South-East Asia.

Spokesmen for China, the Federation of Malaya, Greece, Indonesia and Pakistan hoped that, in the years to come, the international flow of private capital would continue to swell. In that connexion, the United States representative found it encouraging that both capital-exporting and capital-importing countries had become increasingly conscious of the need to improve the investment climate and thus were enacting domestic legislation or concluding bilateral treaties to that effect.

As to the predominance of direct investments over portfolio investment, the USSR representative held that direct investments led to an increased production of raw materials for the benefit of the investing countries and might make under-developed countries more dependent on industrialized ones, and even subject them to a net outflow of capital. The Netherlands and the United Kingdom representatives, however, found direct investment to be of benefit to both under-developed and developed countries; furthermore, it was often accompanied by much-needed technical knowledge. Generally speaking, foreign investment was considered to be of significant importance in the financing of economic development. The United States representative hoped that in 1959 the Secretary-General would be able to report on
how such investment was made up and its impact on the capital-receiving countries.

The international flow of private capital was further discussed at the General Assembly's thirteenth session in 1958 during the debate on the economic development of under-developed countries. The matter was referred to the Assembly's Second (Economic and Financial) Committee.

The Committee had before it two draft resolutions. One was submitted by Argentina, Australia, Canada, Denmark, the Federation of Malaya, Japan, Laos, Liberia, Nepal, New Zealand, Pakistan, Peru, Philippines, Sudan and Thailand, who were subsequently joined by Bolivia, Colombia, Ireland and Lebanon. The second text was proposed by the Byelorussian SSR.

By the 19-power draft resolution, the General Assembly would, among other things, reaffirm the need for a higher level of capital formation for the economic and social progress of the under-developed countries; it would also express confidence that growing bilateral and multilateral capital investment arrangements promoted an expanding flow of private capital for investment beneficial to under-developed countries.

The Assembly would also ask the Secretary-General to obtain the views of leading consultants, drawn from both capital-exporting and capital-importing countries, on (a) the fields of activity in which foreign private investment was needed and sought by under-developed countries and the volume and forms in which such investment would be welcome, and (6) the types of projects which might be of interest to private foreign investors. He would be asked to report on measures, either in operation or contemplated, for the channelling of an increasing flow of private capital investment into under-developed countries, and to make a report to the twenty-ninth session of the Economic and Social Council in 1960, so that the Council could pass it on, with its recommendations, to the Assembly's fifteenth (1960) session.

Three amendments were proposed—one by the Ukrainian SSR, which wanted the draft resolution to state clearly "the premise that foreign capital can be used in under-developed countries without the imposition of any political, economic or military conditions". The sponsors declared that such a premise was implicit in the resolution and did not accept the amendment, which was ultimately rejected by the Committee by 34 votes to 18, with 13 abstentions.

The two other amendments, proposed respectively by Bolivia and France, were intended to change the original joint draft resolution, but were not pressed to the vote, following a revision by the sponsors of the draft resolution in the light of the suggestions offered.

On 29 November 1958 the Second Committee adopted the 19-power draft resolution, as revised, by a roll-call vote of 53 to 9, with 3 abstentions.

By the draft resolution proposed by the Byelorussian SSR, the General Assembly would, among other things, ask the Secretary-General to organize a study of the agreements governing the activities of private foreign companies in the under-developed countries. This study would ascertain the possibilities of increasing royalty and other payments by companies to countries whose natural resources were being exploited and also the possibilities of allocating a certain percentage of the exported profits of those companies for the financing of the economic development of under-developed countries through the United Nations.

After a discussion, during which several changes to his draft resolution were suggested, the Byelorussian SSR representative agreed not to press his proposal to the vote, on the understanding by the Committee that the Secretary-General, in preparing the report called for in the 19-power draft resolution, would take into consideration the discussion in the Committee on his draft resolution.

At a plenary meeting on 12 December 1958, the General Assembly approved the resolution adopted by the Second Committee, by a vote of 69 to 8, with 4 abstentions, as resolution 1318 (XIII). The representatives of Czechoslovakia and the USSR explained that they could not support the resolution because its sponsors had not seen fit to accept the amendment of the Ukrainian SSR.
ECONOMIC DEVELOPMENT OF UNDER-DEVELOPED COUNTRIES

DOCUMENTARY REFERENCES

ECONOMIC AND SOCIAL COUNCIL——26TH SESSION
Plenary Meetings 1037-1039.
Economic Committee, meetings 254-255.


GENERAL ASSEMBLY——13TH SESSION
Plenary Meeting 788.
Second Committee, meetings 552-568, 570, 573.

A/3848, Report of Economic and Social Council to General Assembly, Chapters II, III, IV, V.
A/C.2/L.390 and Add.1-3. Argentina, Australia, Bolivia, Canada, Colombia, Denmark, Federation of Malaya, Ireland, Japan, Laos, Lebanon, Liberia, Nepal, New Zealand, Pakistan, Peru, Philippines, Sudan, Thailand draft resolution, as amended by sponsors, adopted by Second Committee on 29 November 1958, meeting 568, by roll-call vote of 53 to 9, with 3 abstentions as follows:
In favour: Argentina, Australia, Austria, Belgium, Bolivia, Brazil, Burma, Cambodia, Canada, Ceylon, Chile, China, Costa Rica, Cuba, Dominican Republic, Ethiopia, Federation of Malaya, Finland, France, Ghana, Guatemala, Honduras, India, Indonesia, Iran, Ireland, Israel, Italy, Japan, Lebanon, Libya, Morocco, Nepal, Netherlands, New Zealand, Norway, Pakistan, Panama, Paraguay, Peru, Philippines, Portugal, Saudi Arabia, Spain, Sweden, Thailand, Tunisia, Turkey, Union of South Africa, United Arab Republic, United Kingdom, United States, Uruguay.
Against: Albania, Bulgaria, Byelorussian SSR, Czechoslovakia, Hungary, Poland, Romania, Ukrainian SSR, USSR.
Abstaining: Afghanistan, Mexico, Yugoslavia.
The representative of Denmark asked that her vote be recorded in favour of the draft resolution.
A/C.2/L.403. France amendment.
A/4054 and Add.1. Report of Second Committee, draft resolution III.

RESOLUTION 1318(XIII), as recommended by Second Committee, A/4054, adopted by Assembly on 12 December 1958, meeting 788, by roll-call vote of 69 to 8, with 4 abstentions as follows:
In favour: Argentina, Australia, Austria, Belgium, Bolivia, Brazil, Burma, Cambodia, Canada, Ceylon, Chile, China, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, Ethiopia, Federation of Malaya, Finland, France, Ghana, Greece, Guatemala, Haiti, Honduras, Iceland, India, Indonesia, Iran, Iraq, Israel, Italy, Japan, Jordan, Laos, Lebanon, Liberia, Libya, Luxembourg, Morocco, Nepal, Netherlands, New Zealand, Nicaragua, Norway, Pakistan, Panama, Paraguay, Peru, Philippines, Portugal, Saudi Arabia, Spain, Sudan, Sweden, Thailand, Tunisia, Turkey, Union of South Africa, United Arab Republic, United Kingdom, United States, Uruguay, Venezuela, Yemen.
Against: Albania, Bulgaria, Czechoslovakia, Hungary, Poland, Romania, Ukrainian SSR, USSR.
Abstaining: Afghanistan, Byelorussian SSR, Mexico, Yugoslavia.

“The General Assembly,
“Reaffirming the need for a higher level of capital formation for the economic and social progress of the under-developed countries,
“Taking note of the expanding bilateral and multilateral arrangements in the field of capital investment, particularly the establishment of the International Finance Corporation and the prospective increase in the resources of the International Bank for Reconstruction and Development,
“Confident that such arrangements contribute to a general improvement in the conditions necessary for an expanding flow of private capital for investment beneficial to under-developed countries,
“Taking into account its resolution 824(IX) of 11 December 1954 on the international flow of private capital for the economic development of under-developed countries, and section B of Economic and Social Council resolution 368(XIII) of 22 August 1951 concerning the objective of achieving an expansion and steadier flow of private foreign capital,
“Welcoming the fact that a growing number of countries have become increasingly conscious of the need to improve the international climate in relation to both existing and prospective private investment,
“Stressing the need for increased knowledge and better understanding of the conditions of and opportunities for international investment,
“I. Requests the Secretary-General to consult as appropriate and obtain the views of qualified persons, drawn from both capital-exporting and capital-importing countries, regarding:
“(a) The fields of activity in which foreign private investment is needed and sought by under-developed countries and the volume and forms in which such investment would be acceptable;
“(b) The types of projects—including, where possible, specific examples—which private foreign investors may be interested in financing or undertaking in under-developed countries in suitable circumstances;
“2. Further requests the Secretary-General, drawing on the views of the qualified persons concerned and taking into account other available information, to prepare a report concerning measures in operation or contemplated, both in capital-exporting and capital-importing countries, for the channelling of an increasing flow of private capital investment into the development of under-developed countries under mutu ally satisfactory arrangements;
“3. Invites the Secretary-General to submit his report to the Economic and Social Council at its twenty-ninth session for transmission, with the Council's recommendations, to the General Assembly for consideration at its fifteenth session.”

Along with other means to stimulate the international flow of private investment to underdeveloped countries, both the Economic and Social Council and the General Assembly in 1958 considered the question of the tax treatment of private foreign investment.

At the Council's twenty-sixth session, in July 1958, the subject was touched upon in connexion with a Secretariat memorandum entitled Taxation in Capital-Exporting and Capital-Importing Countries of Foreign Private Investments, one of a series prepared at the request of the General Assembly.

The memorandum, which reviewed recent tax measures to encourage foreign business activities on the part of advanced countries and also tax concessions granted in under-developed countries to attract investments, stated that continuous efforts were being made in both capital-supplying countries and capital-receiving countries to facilitate the flow of capital through revisions of their tax regulations and techniques.

Among other developments, the memorandum referred to measures taken by the United Kingdom, a tax agreement signed by the United States and Pakistan, and further progress in the avoidance of double taxation by the conclusion of a number of other bilateral agreements and by the enactment of unilateral relief provisions in domestic legislation, including the adoption of a system of credits for foreign taxes by the Federal Republic of Germany. An increasing number of capital-importing countries were offering tax concessions to private foreign investors, the study also reported.

Accompanying the memorandum to the Council was a study on United Kingdom taxation of income from foreign private investments and a list of legislative material on tax incentives for private investment in capital-importing countries.

During the Council's debate, the representatives of Brazil, Mexico and Pakistan welcomed the efforts being made with regard to tax relief and incentive measures. They were joined by the spokesmen of Canada and France in stressing the usefulness of the Secretariat's studies in this field.

The Council did not take formal action on the subject, but included a statement in its report to the General Assembly noting that further country studies were in preparation by the Secretariat and that a triennial report on the international flow of private capital, to be submitted to the Council at its twenty-eighth session, in 1959, would include information on relevant fiscal developments. This work, the Council felt, would help to carry out the wishes of the General Assembly on the subject.

The question of international tax problems was briefly discussed by the General Assembly's Second (Economic and Financial) Committee on 15 October 1958.

The representative of Ceylon praised the countries which had taken effective action to avoid double taxation, including the United States, the Federal Republic of Germany and the United Kingdom. It would take several years for the results of such relief measures to be evaluated in terms of their effect on international investments, he said.

On the Chairman's suggestion, the Committee decided on 15 October 1958, without a formal vote, to postpone detailed consideration of the taxation question to the General Assembly's fourteenth session, in 1959, by which time the Secretariat's triennial report and further tax studies would be available.
At its twenty-fifth session, the Economic and Social Council considered jointly the twelfth annual report of the International Bank for Reconstruction and Development and the first annual report of the International Finance Corporation, which is affiliated with the Bank. These reports were for the fiscal period 1956-1957, and supplementary reports were submitted to bring the data for the two agencies up to date to 31 January 1958 and 28 February 1958, respectively.

Introducing the reports in the Council on 17 April 1958, Eugene R. Black, President of the Bank, stressed that the Bank's lending activities reached a new peak during the period under review when signs of a slow-down in economic activity were causing concern. By the end of June 1958, the Bank expected to have lent well over $650 million. Two-thirds of the Bank's loans had been granted for stepping up production and developing new resources through increasing the supply of electric power and through improving transport. Most loans were for electric power. These developments were also of great importance to agriculture, although direct loans for agriculture continued to be small—about $25 million in the current year. The Bank's aid to industry was substantial, amounting to about $95 million a year.

The International Bank, Mr. Black also noted, was more than a financing institution. Thus, it had co-operated with the Italian Government in a study looking towards the establishment of a nuclear power station; it had continued efforts to bring about agreement between India and Pakistan on sharing the waters of the Indus system of rivers; and it had exercised good offices in connexion with compensation for the shareholders of the Suez Canal Company.

The Bank, he added, hoped to co-operate closely with the United Nations Special Fund. Mr. Black also thought it would be most unfortunate if preoccupation with domestic economic problems prevented the developed countries from providing the assistance and investments needed by a large area of the world and if countries still in process of development failed to realize that their welfare depended on their own efforts.

As to the International Finance Corporation (IFC), which had been established on 24 July 1956, Mr. Black pointed out that it had made six commitments during the previous 10 months in a variety of enterprises. He emphasized that the IFC investment pattern was flexible and the pace of its operations could be expected to accelerate materially.

During the Council's subsequent debate, the United States representative praised the Bank's association with private financial institutions, aimed at encouraging private investment, and the technical assistance provided by the Bank's Economic Development Institute.

Costa Rica, Mexico, Yugoslavia and others emphasized that a further increase in the number of loans by the Bank was especially important during periods of recession.

While praising certain activities of the Bank, the representative of Poland said that the Bank and the International Monetary Fund had failed to fulfill expectations. Some of their policies, identified with certain "cold war" positions, were unacceptable to some States; thus, Poland had withdrawn its membership eight years previously. However, Poland was prepared to contribute to the future work of these agencies if they moved towards the reintegration of the world economy.

Many delegations also considered that the results achieved by IFC during its first year of operations were encouraging.

Chile, France, Indonesia, the Netherlands, Pakistan and Sudan suggested that IFC widen its activities and at the same time make the conditions for the granting of loans more flexible.

In reply to points raised in the debate, the President of the Bank stated that there was no great demand for assistance from the Bank for agricultural and forestry development. He gave assurances that the Bank was aware of the great opportunities for productive investment in Africa and Latin America and that the volume of loans to both regions would undoubtedly continue to grow. The Bank had
recently reduced its interest charges, but these were dependent on the rate it had to pay on its own borrowings. IFC, he agreed, should not concentrate its activities too much in any one region, and its regulations should remain flexible.

On 17 April 1958, the Council adopted, without a vote, a resolution (669 (XXV)) taking note of the reports of the two agencies. (For further details about activities of the Bank and IFC, see PART TWO, CHAPTERS VI and VII)

DOCUMENTARY REFERENCES

ECONOMIC AND SOCIAL COUNCIL—25TH SESSION
Plenary Meetings 1002, 1003.


RESOLUTION 669(XXV), taking note of report of Bank and IFC, as proposed by President of Council, adopted by Council on 17 April 1958, meeting 1003.

COLLECTION OF INFORMATION ON ECONOMIC AID FOR LESS DEVELOPED COUNTRIES

In July 1957 the Economic and Social Council, by resolution 662 A (XXIV) asked the Secretary-General to report periodically on the extent of bilateral and multilateral economic assistance to the less developed countries. Governments and international organizations were urged to co-operate with the Secretary General in the provision of appropriate information.

The first annual report under this resolution was submitted to the Council in July 1958. It showed that annual assistance in the form of grants and loans had risen from a rate of just over $2,000 million per annum, during the period 1954-1956, to $2,800 million in the period 1956-1957. The most important increases had occurred in the contributions of France, the United States and the USSR. While aid in the form of grants still predominated, the proportion provided in the form of long-term loans was expanding. Greater emphasis was also being given to assistance for specific development projects.

The report showed that there were 20 countries, with a total population of 740 million, where the average annual income per person was less than $100; these countries had received international economic assistance averaging $1.40 per person.

There were 18 countries, with a total population of just over 200 million, with average annual income per person between $100 and $200, and these had received international economic assistance averaging $2.30 per person.

Eleven countries with a total population of 1,005 million had average annual incomes of over $200 per person and had received international economic assistance amounting on the average to $1.50 per person.

The Economic and Social Council took no decision on the report.

DOCUMENTARY REFERENCES

ECONOMIC AND SOCIAL COUNCIL—26TH SESSION
Plenary Meetings 1037, 1038.
Economic Committee, meeting 255.


INTERNATIONAL CO-OPERATION FOR ECONOMIC DEVELOPMENT

International co-operation for the economic development of under-developed countries was discussed in 1958 at the General Assembly's thirteenth session.

A draft resolution on the subject was introduced in the Assembly's Second (Economic and Financial) Committee by Argentina, the Federation of Malaya, Haiti, Italy, Sudan, the
ECONOMIC DEVELOPMENT OF UNDER-DEVELOPED COUNTRIES

United States and Uruguay, later joined by Cuba, Iran, Japan, Laos, Norway and Pakistan.

By the proposal as revised and amended in the light of comments by Morocco, the United Arab Republic and others, the Assembly would:

(1) call upon United Nations Member States to undertake a review of accomplishments to date and "to chart anew their future courses of co-operative action" relating to both the public and private sectors of their economies so as to give further impetus to the economic development of the less developed countries; and

(2) invite Member States to explore further the possibility of enlisting the aid of their universities and scientific institutions so as to hasten, in co-operation with similar institutions in other Member States, the solution of scientific and technological problems of particular concern to the less developed countries.

Member States in a position to assist were invited to inform the Economic and Social Council and the General Assembly in 1959 of measures which they had taken or might contemplate taking in regard to these two courses. Less developed countries were similarly invited to inform the Economic and Social Council and the Assembly of any measures which they might decide to take in order to advance their economic and social progress. The Secretary-General was requested to submit an interim report on the information received to the Economic and Social Council's mid-1959 session and a final report to the General Assembly later in 1959; he was also to include a review of the financing of economic development.

The draft resolution asked, too, that the Council give special consideration to the development needs of the less developed countries in the course of its examination in mid-1959 of a report giving a five-year appraisal of the scope, trend and cost of the economic and social programmes of the United Nations, the International Labour Organisation, the Food and Agriculture Organization, the United Nations Educational, Scientific and Cultural Organization, the World Health Organization and the World Meteorological Organization. The Council was also to give special consideration to ways in which such programmes could be more effectively organized to help meet development needs.

The original 13-power proposal was introduced by the United States representative, who said it called in effect for a global stocktaking during 1959 of measures taken or contemplated by Governments to give further impetus to economic development. This inventory, he stated, would differ from the information that Member States were asked to submit under previous resolutions of the Assembly in that it was intended to determine whether new courses of action were desirable.

While most speakers in the debate agreed with the intent of the original version of the 13-power proposal, several (including the representatives of the Ukrainian SSR and the USSR) thought it was vague.

Misgivings were also voiced about the request in the original version that Member States "chart anew" their courses of co-operative action lest this be taken to imply that existing plans be jettisoned.

The United Arab Republic submitted amendments to the original version which were intended to place more emphasis on financial aid for the development of under-developed countries. These were withdrawn when the 13-power proposal was revised to provide for a review of the financing of economic development to be included in the reports to be submitted to the Economic and Social Council and General Assembly.

Further, whereas the original 13-power draft proposed that less developed countries be invited to supply information on "any additional measures" they might decide on or might "contemplate taking" for their economic and social progress, Morocco proposed that they be invited to provide information simply on "any measures" they might decide on for their economic and social progress. Morocco argued that it was difficult to report on contemplated measures. The Moroccan amendments were eventually accepted.

On 27 November 1958, the Second Committee approved the amended resolution as a whole by 55 votes to 0, with 11 abstentions, after voting separately on individual paragraphs. On 12 December it was approved at a plenary meeting as resolution 1316(XIII) by 68 votes to 0, with 8 abstentions. (For full text, see DOCUMENTARY REFERENCES below.)
GENERAL ASSEMBLY—13TH SESSION
Plenary Meeting 788.
Second Committee, meetings 559, 561, 563.
A/3848, Report of Economic and Social Council to
General Assembly, Chapters II, III, IV, V.
Argentina, Cuba, Federation of Malaya, Haiti, Iran, Italy, Japan, Laos, Norway, Pakistan, Sudan, United States, Uruguay draft resolution and revisions as amended, adopted by Second Committee on 27 November 1958, meeting 566, by 55 votes to 0, with 11 abstentions.
A/4054 and Add.1. Report of Economic Committee, draft resolution I.
RESOLUTION 1316(XIII) as recommended by Second Committee, A/4054, adopted by Assembly on 12 December 1958, meeting 788, by 68 votes to 0, with 8 abstentions.

"The General Assembly,
"Recalling the pledge of all Member States, contained in Article 56 of the Charter of the United Nations, to take joint and separate action in cooperation with the United Nations for the achievement, inter alia, of higher standards of living and conditions of economic and social progress and development,
"Recognizing that significant efforts have been made by both the less developed and the more developed countries to achieve these ends,
"Considering however the continuing need for greater efforts to accelerate the economic development of the less developed countries,
"Noting with satisfaction the initiatives which have been taken looking towards an increase in the capital of the International Bank for Reconstruction and Development and the quotas of the International Monetary Fund, and the increasing attention being given by these agencies to the less developed countries,
"1. Calls upon Member States to undertake a review of accomplishments to date and, in the light of this review, to chart their future courses of cooperative action relating to both the public and private sectors for the purpose of giving further impetus to the economic development of the less developed countries;

QUESTION OF TRADE PROMOTION AND ACCELERATING GROWTH OF LESS DEVELOPED COUNTRIES THROUGH INTERNATIONAL ACTION

Questions relating to international trade promotion and the acceleration of the economic growth of less developed countries through international action were discussed at the General Assembly's thirteenth session in the course of debate on the annual report of the Economic and Social Council.

Bulgaria circulated a draft resolution in the
Second Committee, the original version of which proposed that the Secretary-General report to the Assembly in 1959 on economic questions, including questions concerning the promotion of international trade and assistance in the development of the less developed countries, the solution of which called for international action such as the convening of a conference of experts.

A later version of this proposal omitted the references to the promotion of international trade and to the convening of a conference. The Assembly would thereby ask the Secretary-General, on the basis of the records of the work of United Nations economic bodies during the past two years and other material: (1) to prepare an initial memorandum with data on ways by which the acceleration of the rate of economic growth in the less developed regions might be fostered through international action; and (2) to present the memorandum to the mid-1959 (twenty-eighth) session of the Economic and Social Council for such comments as it deemed necessary to make to the General Assembly's fourteenth session.

Supporting the revised text, the representatives of Brazil, Morocco, Poland, the USSR and Yugoslavia stressed the importance of speeding the rate of economic growth of underdeveloped countries. While favouring the proposal in principle, the delegates of Afghanistan, France, India, Indonesia and Peru suggested that the nature of the proposed memorandum was not clearly outlined, and that it need not be limited to material covering the past two years.

The United Kingdom and the United States felt it would be inadvisable to ask the Secretary-General to make concrete proposals to Governments on action to be taken by them on development problems. The study envisaged, the United States suggested, might be handicapped by the fact that some States were unwilling to provide information on their economic policies.

The Bulgarian spokesman pointed out that the proposed memorandum would serve merely as a basis for discussion in the Economic and Social Council and the General Assembly, which would later consider the action to be taken. After further discussion, the revised Bulgarian proposal was again amended, on the basis of a joint proposal by Brazil, Mexico and the Netherlands, so that the Assembly would ask the Secretary-General to prepare "an analytical summary of the various means of accelerating economic growth" rather than the "initial memorandum" proposed by Bulgaria. The summary, to go to the Economic and Social Council's mid-1959 session, would be prepared on the basis of the records of work of United Nations economic bodies in recent years (rather than in the past two years) and other appropriate material.

The Assembly would also indicate its awareness that uneven trends in the development of production in various parts of the world might, in some cases, have a highly detrimental effect on the economies of less developed countries and hence on the degree of gainful employment and standards of living in these countries. This paragraph embodied an amendment by Pakistan.

The amended draft resolution as a whole was adopted by the Second Committee on 2 December 1958 by 55 votes to 0, with 13 abstentions.

On 12 December it was amended, on a United States proposal, at a plenary meeting of the Assembly, so that the material on which the Secretary-General's summary would be based would also include relevant information from the replies to be received from Governments in response to another resolution adopted on 12 December 1558 (resolution 1316(XIII)). The latter resolution asked United Nations Members for information on international cooperative efforts to give further impetus to the economic development of under-developed countries. (For details, see above, section on INTERNATIONAL CO-OPERATION FOR ECONOMIC DEVELOPMENT.)

The United States amendment (which had previously been rejected in the Second Committee by a vote of 21 to 21, with 20 abstentions) was approved by 41 votes to 21, with 8 abstentions. The resolution as a whole was then approved by 75 votes to 0, with 2 abstentions, as resolution 1323 (XIII). (For final text, see DOCUMENTARY REFERENCES, below.)
The General Assembly,

"Bearing in mind the main economic objectives of the United Nations, which consist in promoting higher standards of living, full employment and conditions of economic and social progress and development,

"Aware of the lack of balance shown in the trend of economic growth in the different parts of the world during the last decades,

"Conscious of the highly detrimental effect that an uneven trend of development may, in some cases, exercise on the economies of the less developed countries and, thereby, on the degree of gainful employment and on the level of standards of living existing in these countries,

"Noting the keen interest shown by the delegations in international economic problems during the general debate in the Assembly,

"Convinced that the United Nations should show a still greater interest in the factors of world economy influencing the rate of economic development of the less developed countries,

"Requests the Secretary-General, on the basis of the records of the work of United Nations economic bodies during recent years and other appropriate materials, including information to be received from Governments in response to General Assembly resolution 1316(XIII) of 12 December 1958:

(a) To prepare an analytical summary of various means of accelerating economic growth in less developed countries through international action;

(b) To present the above-mentioned analytical summary to the Economic and Social Council at its twenty-eighth session for discussion, and for submission to the General Assembly at its fourteenth session of such comments on the matter as the Council deems necessary."

INDUSTRIALIZATION AND PRODUCTIVITY

PUBLICATIONS

Two publications were issued in 1958 by the United Nations Secretariat as part of its work programme on industrialization. One was the first issue of the bulletin Industrialization and Productivity. The second was a report, Management of Industrial Enterprises in Under-Developed Countries.

The bulletin contained studies on different aspects of the problem of capital intensity, that is, the relative quantities in which capital and labour resources should be combined to best advantage in developing industrial production. One article, based on reports of United Nations technical assistance experts, described the problem as it had actually arisen in under-developed countries. A second article discussed the need for research on the choice of technology for industrial planning and gave practical suggestions. Another gave a case study of capital intensity in heavy engineering construction.

The report on industrial management was largely based on the discussion of a panel of experts held between 24 September and 5 October 1957. It examined various aspects of management in relation to environmental conditions in under-developed countries, organization of industrial enterprises, labour policies, training and recruitment, production facilities, problems of marketing and control techniques. The report also contained recommendations for action by individual entrepreneurs, industrial associations and Governments.

CONSIDERATION BY ECONOMIC AND SOCIAL COUNCIL

Problems of industrialization and productivity were also discussed by the Economic and Social Council at its twenty-fifth session in April 1958.

The Council had before it two reports by the Secretary-General, one describing progress made by United Nations industrialization and productivity projects and the other containing proposals for organizational changes and administrative machinery to carry out the work programme.

During the Council's debate, there was general agreement among the members that the
work under the programme should aim at taking stock of actual experience in under-developed countries and at stimulating national and international action by Governments in the field of industrialization; that the Secretariat's work on industrialization should be expanded and accelerated as much as possible; and that the Secretariat should strengthen its servicing of technical assistance operations in industry.

The representatives of Finland, the Netherlands, Pakistan, Sudan and others hoped that more attention would be given to the problems of small-scale industries and handicrafts. Some other speakers stressed the need for studies on the social and demographic, fiscal and financial aspects of industrial development, and on planning.

As to organizational machinery, the USSR urged the immediate establishment of a special United Nations organ on industrialization questions. Others, including Pakistan, Poland and Yugoslavia, favoured either a special agency or a functional commission of the Council for this purpose, whereas spokesmen for Brazil, Indonesia and the Netherlands, among others, preferred the establishment of an expert committee to advise the Secretariat on its programme.

On 1 May 1958, the Council unanimously adopted two resolutions on industrialization, on the recommendation of its Economic Committee.

The first resolution (674 A (XXV)), among other things, emphasized the need to accelerate the Secretariat's programme as far as possible; asked the Secretary-General to publish the results of this work, in the form of manuals, when appropriate; stressed the desirability of strengthening the substantive servicing of United Nations technical aid operations in the industrial field; and invited the Secretary-General to establish a committee of experts to review the programme of work and make recommendations on its further development and implementation.

The second resolution (674 B (XXV)) developed, at the suggestion of Brazil and Chile, after the Council had discussed questions raised by the deterioration in the terms of trade of exporters of primary goods and importers of manufactured goods. The Council's resolution recognized that industrialization could not be undertaken on the desired scale without continuing imports of the required equipment, and that these imports were to be paid for mainly by the exports of the under-developed countries. The Council also recognized the important relationship between the prices of raw materials exported by under-developed countries and the prices of the manufactured goods imported by them for their general industrial and economic advancement. In the light of the desirability of achieving a sound international economic balance, the Council looked forward to further exploration of these problems when, at its next session (in mid-1958), commodity problems came up for discussion. (See also above, CHAPTER II, section on INTERNATIONAL COMMODITY QUESTIONS.)

DOCUMENTARY REFERENCES

ECONOMIC AND SOCIAL COUNCIL——25TH SESSION
Preliminary Meetings 1009, 1011-1014, 1020.
Economic Committee, meetings 234-236.

Industrialization and Productivity, Bulletin 1 (E/3051).
U.N.P. Sales No.: 58.II.B.2.

Development of Manufacturing Industry in Egypt, Israel and Turkey (E/3111).
U.N.P. Sales No.: 58.II.B.4.

Management of Industrial Enterprises in Under-Developed Countries (E/3143).
U.N.P. Sales No.: 58.II.B.5.

E/3078. Progress report on implementation of programme on industrialization and productivity. Report by Secretary-General under Council resolution 597 A (XXI).

E/3079. Industrialization: Organizational and administrative machinery. Report by Secretary-General under Assembly resolution 1033 B (XI).

E/AC.6/L.203. Brazil draft resolution.

E/AC.6/L.204 and Rev.1. Chile, Costa Rica, Mexico draft resolution and revision, as orally amended by Pakistan, adopted by Economic Committee on 30 April 1958, meeting 236, by 17 votes to 0, with 1 abstention, as draft resolution B.

E/3112. Report of Economic Committee, draft resolution B.

E/AC.6/L.206. Note by Chairman of Economic Committee, containing draft resolution A, as amended, approved by Economic Committee on 30 April 1958, meeting 235.


E/3112. Report of Economic Committee, draft reso-
RESOLUTION 674 A and B (XXV), as recommended by Economic Committee, E/3112, adopted unanimously by Council on 1 May 1957, meeting 1020.

A

"The Economic and Social Council,

"Recalling its resolutions 597 A (XXI) of 4 May 1956, 618(XII) of 6 August 1956 and 649 A (XXIII) of 2 May 1957 and General Assembly resolution 1033 B (XI) of 26 February 1957 regarding the programme of work in the field of industrialization and productivity and the question of organization and administrative machinery relating thereto;

"Having considered the reports of the Secretary-General,

"Bearing in mind the importance attached to the rapid industrialization of underdeveloped countries as a significant factor in the sound and balanced development of their economies,

"1. Notes the progress of the programme of work on industrialization and productivity as set forth in the report of the Secretary-General and emphasizes the need to accelerate this work as far as possible;

"2. Requests the Secretary-General, in carrying out the programme, to take into account such views as may be expressed by the countries directly concerned relating to the problems which are of significance to countries in the process of industrial development;

"3. Recalls paragraph 2 of its resolution 649 A (XXIII) and requests the Secretary-General, when appropriate, to encourage the organization of seminars, consultations and training centres in order to facilitate the practical application of the programme;

"4. Further requests the Secretary-General to publish the results of work under this programme, in the form of readily usable manuals when appropriate;

"5. Welcomes the statement in the report of the Secretary-General that effective co-operation has been developed with the specialized agencies concerned in planning and carrying out projects of common interest and that such co-operation will continue and may be expected to expand in the future;

"6. Emphasizes the desirability of strengthening the substantive servicing of the United Nations technical assistance operations in the field of industrialization along the lines suggested in the Secretary-General's report;

"7. Further emphasizes the desirability of maintaining close relationships with the Expanded Programme of Technical Assistance and the Special Fund, when in operation, in order to facilitate the development of the Secretary-General's programme of work and the application of its results in the less developed countries;

"8. Expresses the desire to continue to be kept fully informed about the important work being done by the specialized agencies concerned;

"9. Recognizes the important work being done by the regional economic commissions in the field of industrialization and productivity;

"10. Requests the regional economic commissions, when giving consideration to the formulation of regional programmes of work on industrialization and productivity, to take into account, in accordance with paragraph 8 of Council resolution 597 A (XXI), the activities under the programme of work of the Secretary-General undertaken pursuant to that resolution;

"11. Endorses the proposals of the Secretary-General to expand the staff concerned with the work programme in the field of industrialization and productivity;

"12. Invites the Secretary-General to establish a committee of experts, consisting of no more than ten persons to be appointed in consultation with Governments, for the purpose of reviewing the programme of work in the field of industrialization and productivity, and making recommendations to the Secretary-General on the further development of this programme and its implementation; and to include in his next progress report to the Council information regarding the establishment of such a committee;

"13. Recommends the periodic inclusion in the agenda of the session of the General Assembly of an item entitled 'Industrialization of the under-developed countries'."

B

"The Economic and Social Council,

"Recognizing that the economic advancement of the under-developed countries has been and continues to be one of its main concerns,

"Considering that one generally accepted means of achieving this end is the diversification of production, for which industrialization is an important requirement,

"Recognizing that industrialization cannot be undertaken on the desired scale without continuing imports of the equipment required and that primarily the latter must be paid for by the exports of the under-developed countries,

"Recognizing the importance attached to the relationship between the prices of the raw materials exported by the under-developed countries and of the manufactured goods exported by the industrialized countries for the industrial and general economic advancement of the under-developed countries,

"Looks forward, in connexion with its discussion of commodity problems at its twenty-sixth session, to the further exploration of such problems in the light of the desirability of achieving a sound international economic balance."

USE OF NATURAL RESOURCES

WATER RESOURCES

Water resource questions were the subject of four reports issued by the United Nations in 1958. The reports provided background information for discussions at the Economic and Social Council's twenty-fifth session, held between 15 April and 2 May 1958.

One of the reports, Water for Industrial Use,
issued in printed form, reviewed problems arising from industrial demand for water, and examined such matters as quantity and quality requirements, water costs and water conservation problems. The report also contained suggestions for national and international action to develop the use of water for industry. In addition, it gave statistical data on related subjects.

The second study was a report by the Secretary-General giving the results of a preliminary inquiry on existing hydrologic services. Prepared with the aid of the World Meteorological Organization (WMO), it also examined current problems in regard to hydrologic activities, and outlined some steps which might be taken to meet them.

The third report, by a panel of experts, was entitled Integrated River Basin Development. Issued in printed form, it dealt with the scope, purposes and major aspects of river basin development and described co-operative action between countries in the development of an international river basin. It also made recommendations, among which were the following: the responsibilities of WMO should be expanded to include hydrology; there should be a co-ordination office or centre in the United Nations Secretariat to deal with certain interrelated responsibilities and tasks; steps should be taken to encourage scientific and technical investigations; aid to countries in developing their river basins should be increased through the co-ordination and expansion of technical and other assistance; and the United Nations should support efforts to overcome the special problems of developing international rivers.

The fourth report, on international co-operation with respect to water resource development, prepared by the Secretary-General, informed the Council of the latest activities of the United Nations Secretariat in the field of water resources, and of the action taken at inter-agency meetings on water resources development to co-ordinate activities of the various international organizations concerned, the United Nations and its regional economic commissions, the International Atomic Energy Agency and the specialized agencies. It also indicated certain problems which the Secretary-General thought should be given high priority by the Council, such as problems relating to underground water, water pollution control, co-ordination of hydrologic activities and integration of water resources services.

Some Council members attached great importance to efforts to formulate legal principles for users of waters of international rivers. The Council took no position on any particular legal principles, but various members noted with interest the efforts being made by other bodies to formulate them. It was also pointed out that legal aspects would in any case be studied in connexion with integrated river basin development.

Stressed, too, was the importance of developing a programme of studies on the interrelated problems of water resources, including, in particular, systematic studies on underground water, on integrated river basin development, on reducing water pollution in industrial countries, and on preventing water pollution in areas in process of industrialization.

On 2 May 1958, the Council unanimously adopted a four-part resolution (675 (XXV) ) on the recommendation of its Economic Committee.

By the first part, the Council called the report on Integrated River Basin Development and its recommendations to the attention of United Nations Member Governments and the appropriate specialized agencies, and it noted with interest the efforts being made to formulate legal principles applicable to users of international rivers.

The second part dealt with the report of the Secretary-General and WMO on hydrologic services, which contained recommendations about WMO's functions in hydrology. The Council invited WMO to consider the report and to take appropriate action thereon, bearing in mind the need to avoid duplication in the work of the United Nations and the specialized agencies.

The second part dealt with the report of the Secretary-General and WMO on hydrologic services, which contained recommendations about WMO's functions in hydrology. The Council invited WMO to consider the report and to take appropriate action thereon, bearing in mind the need to avoid duplication in the work of the United Nations and the specialized agencies.

By the third part of the resolution, the Council called the report on Water for Industrial Use to the attention of Member Governments and the appropriate specialized agencies. It called special attention to the importance of reducing water pollution, particularly in industrialized countries, and preventing water pollution in countries in the early stages of indus-
trialization; in this connexion, it recommended that account be taken of the experience of the Economic Commission for Europe and co-operating specialized agencies (FAO and WMO).

The fourth part of the resolution dealt with international co-operation in the development of water resources. The Council asked the Secretary-General to take appropriate measures to establish a centre within the United Nations Secretariat to promote co-ordinated efforts for the development of water resources. He was also asked to give proper consideration to requests of Governments for assistance in the development of river basins, including the joint development of international rivers. In addition, the Secretary-General and the specialized agencies were asked to stimulate the international flow of information on water resources and to develop a programme of studies on the interrelated problems of such resources, giving priority to various questions enumerated in the Secretary-General's report and to integrated river basin development.

INTER-AGENCY MEETING

The fifth inter-agency meeting on water resources was held in Geneva between 8 and 10 July 1958. It was attended by members of the Secretariats of the United Nations, the International Atomic Energy Agency, the Food and Agriculture Organization, the United Nations Educational, Scientific and Cultural Organization, the World Health Organization and the World Meteorological Organization. Among the matters discussed were points raised by the Economic and Social Council resolutions of 2 May 1958, such as the establishment of a water resources centre, co-ordination of activities in the field of hydrology, water pollution and underground water resources. Also discussed were plans to prepare certain studies on techniques for water resources and requirements surveys.

PETROLEUM RESOURCES

Later in 1958, at the thirteenth session of the General Assembly, Albania, Romania and Czechoslovakia proposed a draft resolution in the Second (Economic and Financial) Committee on various aspects of the development of petroleum resources. Their text pointed out that many underdeveloped countries were interested in improving prospecting for petroleum deposits within their territories, bettering the exploitation, processing and transport of petroleum and also in obtaining and manufacturing the necessary equipment. The text also pointed out that a symposium on developing the petroleum resources of Asia and the Far East was being held in New Delhi in December 1958, under the auspices of the Economic Commission for Asia and the Far East. By the proposal, the Assembly would ask the Secretary-General, when the results of the symposium were on hand, to study the possibilities of international co-operation in developing petroleum resources, including the desirability of convening expert meetings.

Austria, Canada, Saudi Arabia, South Africa, the United Kingdom, the United States and others found the proposal unacceptable. One reason they advanced was that some of the Secretariat studies on power resources and the facilities available under the Expanded Programme of Technical Assistance and the United Nations Special Fund were considered as already meeting some of the purposes of the proposed text. Also, the proposal would involve consideration of questions of national policy in the petroleum industry or would entail passing judgment on bilateral assistance in the industry or on private investments. It would therefore represent unwarranted United Nations interference in the domestic affairs of states.

On 5 December, the Second Committee agreed to a revised version of the three-Power proposal, as orally amended by Iraq, on behalf of Ceylon, Cuba, the Federation of Malaya, India, Iraq, Panama, the United Arab Republic and Yugoslavia. The Committee's vote for it was 61 to 0, with 8 abstentions. The text was later approved unanimously at a plenary meeting of the Assembly on 12 December 1958 as resolution 1319 (XIII).

The Assembly thereby invited the Secretary-General to transmit the report on the proceedings of the New Delhi symposium to the Economic and Social Council for appropriate consideration and for possible transmission to other appropriate United Nations organs and bodies.
ECONOMIC DEVELOPMENT OF UNDER-DEVELOPED COUNTRIES

DOCUMENTARY REFERENCES

WATER RESOURCES

ECONOMIC AND SOCIAL COUNCIL——25TH SESSION
Plenary Meetings 1014-1016, 1021.
Economic Committee, meetings 236, 237.

E/3070. A preliminary inquiry on existing hydrologic services. Report by Secretary-General.
E/3071. International co-operation with respect to water resources development. Report by Secretary-General.
E/AC.6/L.205. Mexico, Netherlands, United States, Yugoslavia draft resolution, as amended, adopted by Economic Committee on 1 May 1958, meeting 237, by 16 votes to 0, with 1 abstention.
RESOLUTION 675(XV), as recommended by Economic Committee, E/3114, adopted unanimously by Council on 2 May 1958, meeting 1021.

"The Economic and Social Council,
"Recalling its resolutions 417(XIV) of 2 June 1952, 533(XVIII) of 2 August 1954 and 599(XXI) of 3 May 1956,

I

"1. Commends the Panel of Experts for its report entitled Integrated River Basin Development, which brings together basic information on, and principles of, integrated river basin planning and development;

"2. Calls the report and its recommendations to the attention of Governments of Member States and the appropriate specialized agencies;

"3. Notes with interest the efforts being made to formulate legal principles applicable to users of international rivers, particularly those referred to in chapter 4 of the report;

II

"1. Commends the Secretary-General and the World Meteorological Organization for the report entitled 'A Preliminary Inquiry on Existing Hydrologic Services';

"2. Notes the recommendations with respect to the functions of the World Meteorological Organization in the field of hydrology;

"3. Invites the World Meteorological Organization to consider the report and to take appropriate action thereon, bearing in mind the discussion at the twenty-fifth session of the Economic and Social Council and the necessity of avoiding duplication with the work of the United Nations and specialized agencies;

III

"1. Commends the Secretary-General for the report entitled Water for Industrial Use, as a helpful contribution to a better understanding of this important and growing problem;

"2. Calls the report to the attention of Governments of Member States and the appropriate specialized agencies;

"3. Calls special attention to the importance of water pollution abatement, particularly in industrialized countries, and of preventing water pollution in countries in the early stages of industrialization, and in this connexion recommends that the experience of the Economic Commission for Europe and co-operating specialized agencies should be taken into account;

IV

"1. Notes the report of the Secretary-General entitled 'International Co-operation with respect to Water Resources Development', including the useful activities of the regional economic commissions set forth in chapter III of that report;

"2. Commends the Secretary-General and the specialized agencies for their co-operation in carrying forward their series of consultations on water resources problems;

"3. Requests the Secretary-General to take appropriate measures for the establishment, within the Secretariat, of a centre to promote co-ordinate efforts for the development of water resources and, for that purpose, to facilitate co-ordination in the collection of information on such resources and their uses;

"4. Further requests the Secretary-General to give proper consideration to applications by Governments for assistance in the development of river basins; including the joint development of international rivers;

"5. Endorses the recommendation of the Panel of Experts on Integrated River Basin Development relating to water resources that the United Nations and the specialized agencies should pay special attention to stimulating and facilitating the international flow of information, including that developed by non-governmental organizations in consultative status with the Council;

"6. Requests the Secretary-General and the specialized agencies to keep the interrelated problems of water resources under continuous review and, to this end, to develop a programme of studies relating to such problems, giving priority for concerted action to the questions enumerated in chapter IV of the above-mentioned report and to integrated river basin development, and to report to the Council at its twenty-ninth session on the progress achieved at the national and international levels in regard to the above items, including appropriate recommendations concerning further action which might be taken by the Council and the specialized agencies;

"7. Invites Members of the United Nations to pay appropriate attention to water resources questions in their country programmes, and in regional or inter-regional projects, both in connexion with the United Nations Expanded Technical Assistance Programme and in programmes developed through other multilateral or through bilateral arrangements."

PETROLEUM RESOURCES

GENERAL ASSEMBLY——13TH SESSION
Plenary Meeting 788.
Second Committee, meetings 564, 574, 575.
A/C.2/L.394 and Add.1 and Rev.1. Albania, Czechoslovakia, Romania draft resolution and revision, as amended orally by 8 powers, adopted by Second Committee on 5 December 1958, meeting 575, by 61 votes to 0, with 8 abstentions.
A/4054 and Add.1. Report of Second Committee, draft resolution IV.
RESOLUTION 1319(XIII), as recommended by Second Committee, A/4054, adopted unanimously by Assembly on 12 December 1958, meeting 788.

"The General Assembly,
"Considering that more effective use of the natural resources of the under-developed countries is important for their economic development,

"Recalling that in December 1958 a symposium on the development of petroleum resources of Asia and the Far East is taking place at New Delhi under the auspices of the Economic Commission for Asia and the Far East,

"Invites the Secretary-General to transmit the report on the proceedings of the above-mentioned symposium to the Economic and Social Council for appropriate consideration and for possible transmission to other appropriate United Nations organs and bodies."

OTHER DOCUMENTS

ROSTERS OF SCIENTIFIC AND TECHNICAL PERSONNEL

In 1958, at the General Assembly's thirteenth session, Honduras introduced a draft resolution in the Second (Economic and Social) Committee on the possibility of establishing rosters of scientific and technical personnel of under-developed countries. The proposal, calling for action by the Economic and Social Council, was based on the premise that there was an under-employment of "human capital resources" in the less developed countries.

These countries, according to the spokesman for Honduras, not only lacked the qualified personnel they needed to carry out their development plans. They were also often unaware that there were technicians within their own borders or in neighbouring countries on whose services they could call. Many of the experts in question sought employment abroad where their skills could be more fully utilized. It was essential, he continued, that steps be taken to deal with the under-employment and emigration of the skilled manpower of the under-developed countries. The aim of the draft resolution, he explained, was to encourage exchanges of technicians between the under-developed countries and to make available a pool of technicians with a thorough personal knowledge of the material, social and psychological situation in those countries.

The proposal was adopted by the Second Committee in revised form on 2 December 1958 by 58 votes to 0, with 8 abstentions. It was approved at a meeting of the Assembly on 12 December by 70 votes to 0, with 9 abstentions as resolution 1320(XIII).

The Assembly thereby invited the Economic and Social Council to examine, at its twenty-eighth session in mid-1959, the possibility and desirability of establishing and maintaining, under United Nations auspices, rosters of scientific and technical personnel of the less developed countries, whose services might also be used outside their own countries. It also asked for the views of the specialized agencies and the International Atomic Energy Agency on the resolution.

DOCUMENTARY REFERENCES

GENERAL ASSEMBLY—13TH SESSION
Plenary Meeting, 788.
Second Committee, meeting 572.

A/C.2/L.397 and Rev.1. Honduras draft resolution and revision, as amended in Committee, adopted by Second Committee on 2 December 1958, meeting 572, by 58 votes to 0, with 8 abstentions.
A/4054 and Add.1. Report of Second Committee, draft resolution V.
RESOLUTION 1320(XIII), as recommended by Second Committee, A/4054, adopted by Assembly on 12 December, meeting 788, by 70 votes to 0, with 9 abstentions.

"The General Assembly,
"Considering that economic development plans can be carried out more economically in those countries which achieve a real increase in their human capital resources through a better knowledge and distribution of their qualified technicians,

"Considering that ready and easy access to a common pool of qualified technicians who are easy to find would enable countries in the process of development to make more rational and complete use of scientific and technical personnel in and outside
their country of origin and to benefit from the experience of other countries which are passing through similar stages, thus increasing the effectiveness of international co-operation.

"1. Invites the Economic and Social Council to examine at its twenty-eighth session the desirability and feasibility of establishing and maintaining, under the auspices of the United Nations, rosters of scientific and technical personnel of the less developed countries, whose services might also be utilized outside their respective countries;

"2. Requests the Secretary-General to transmit the present resolution to the specialized agencies and the International Atomic Energy Agency and to ask them to state their views on this subject at the twenty-eighth session of the Economic and Social Council."

CHAPTER IV

TECHNICAL ASSISTANCE FOR ECONOMIC DEVELOPMENT

THE TECHNICAL ASSISTANCE PROGRAMMES

ACTIVITIES DURING 1958

Eighty-six Governments pledged a total of $31,307,200 in over 50 different currencies to carry out operations under the Expanded Programme of Technical Assistance during 1958. Activities under this Programme are financed from voluntary contributions by Governments. The funds so obtained are shared among: the United Nations; the International Labour Organization (ILO); the Food and Agriculture Organization (FAO); the United Nations Educational, Scientific and Cultural Organization (UNESCO); the World Health Organization (WHO); the International Civil Aviation Organization (ICAO); the International Telecommunication Union (ITU); and the World Meteorological Organization (WMO). Arrangements were also made in 1958 for the International Atomic Energy Agency (IAEA) to share in Expanded Programme funds as of 1959.

Some 107 countries and territories received aid to the value of $33,820,000 by the end of 1958. During the year, 2,427 experts from 64 countries and territories served in the field, 578 of them provided by the United Nations. They were assigned to 91 countries and territories. A total of 1,759 fellowships and study grants were awarded to the nationals of 119 countries and territories, for study in 66 countries and territories.

The major fields in which the United Nations and the specialized agencies advised and aided Governments during 1958 were: agricultural production, health services, economic planning, basic surveys of resources and building up of administrative services, industrial research and production, auxiliary services to industry and agriculture, education, public utilities, power, transport and communications, community development, narcotics control and other social services such as housing and social security.

In addition to participating in the Expanded Programme, the United Nations, through its Technical Assistance Administration (TAA) also provided additional technical assistance in economic development, public administration and advisory social welfare. This was paid for out of funds from the regular United Nations budget.

During 1958, the United Nations, under the Expanded Programme as well as under its regular programme which is financed from the United Nations budget, sent out 769 experts drawn from 58 nations to 69 different countries and territories. A total of 824 fellowships and scholarships were awarded to nationals of 88 countries and territories for study abroad in 47 countries. The United Nations also provided limited quantities of supplies and equipment.

Expenditures incurred for all these United Nations operations in 1958 under both programmes totalled $8,849,590. This sum included $6,102,555 for economic development, $1,229,976 for public administration activities, and $1,517,059 for advisory social welfare services.

Of the experts supplied by the United Nations under both programmes, 502 gave help