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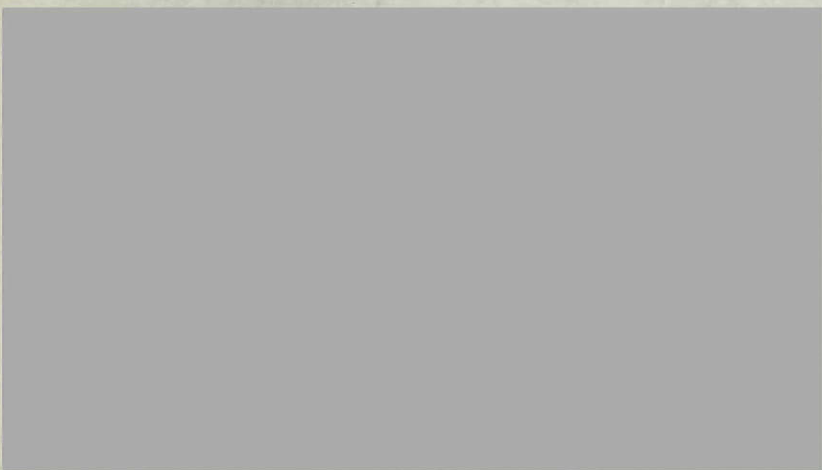
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THIS FILE WAS CLOSED AS OF
JANUARY 31, 1959. PLEASE
SEE VOLUME II.

Mr. Martin M. Rosen

January 27, 1959

A.G. Kheradjou *Agh.*

U.N. Special Fund - Pre-Investment Surveys

In Burma the Mu River Irrigation Project should qualify under U.N. Special Fund's 3rd category (Pre-Investment Surveys). In Ceylon there are several such surveys, but they are being financed by U.S.A. (Mahaweli Ganga and Walawe Ganga) or by the Soviet Union (Kelani Ganga). In Malaya Stage II of the Cameron Highlands Scheme might qualify.

There is another category of surveys which is not mentioned in Mr. Demuth's memo and which could come under Pre-Investment Surveys, although they may cost more than US\$500,000, i.e., certain geological or mining surveys. For instance, tin mining survey in Malaya badly needs doing and would definitely lead to private investment. We could even mention the geological survey of Burma, but perhaps that should come under 1st category.

AGKheradjou:god

OFFICE MEMORANDUM

TO: Messrs. Aldewereld, Cope, Rosen, Rucinski
and Schmidt
FROM: Richard H. Demuth
SUBJECT: U.N. Special Fund -- Pre-Investment Surveys

DATE: January 23, 1959

At a meeting which I had yesterday with Mr. Paul Hoffman, Managing Director of the new U.N. Special Fund, and Mr. Arthur Lewis, his deputy, they stated that their present view is that the activities of the Special Fund should be divided into three categories:

- (1) Large projects (i.e., projects involving from \$1 million to \$5 million), of which the Special Fund might finance, say, two a year. These projects would in all probability consist of basic resource surveys. The two possible examples mentioned were the Mekong River studies and a proposed survey of the water resources of Afghanistan.
- (2) Training and research institutes. Among the projects mentioned were technical institutes in the Middle East and Southern Italy and an animal husbandry institute in Ghana.
- (3) Pre-investment surveys, normally in the range of \$100,000 to \$500,000, designed to work up projects ready for investment. The only example of this type of survey mentioned was a proposed NEDECO survey of a Ghana flood control project.

Messrs. Hoffman and Lewis are particularly interested in the third type of survey, which they sometimes referred to as "feasibility surveys," and sometimes as projects on the "brink of banking." They are attracted by this field of activity not only because of the intrinsic value of the surveys but also because such surveys might lead to prompt results in terms of promoting investment. They regard it as important from the standpoint of the Special Fund that its activities have an early and demonstrable investment impact.

Messrs. Hoffman and Lewis were surprised to discover that, among all the proposals already put forward for the Special Fund, there are practically none of the pre-investment type. They feel that this may be the result of overemphasis, in public statements about the Special Fund, upon concentration on a few large projects. In any event, they believe that the Bank must know of a large number of surveys of this type which need doing and which are being held back for lack of available funds. They would like to have us come forward with as many as 10 or 12 suggestions which they could then discuss with the governments concerned to see if the governments wished to present these projects for Special Fund assistance.

- 2 -

I promised Messrs. Hoffman and Lewis that I would bring this matter to the attention of the operational departments of the Bank to see what suggestions we could put forward. Would you discuss this within your department as soon as possible and let me have a memorandum containing whatever suggestions you may be able to make?

✓
cc: Messrs. Black, Knapp, Iliff and Sommers

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WBG ARCHIVES

FROM: The Secretary

✓ January 20, 1959

UNITED NATIONS SPECIAL FUND

The attached brochure is circulated for information.

It is being sent by the Managing Director of the United Nations Special Fund also to all Governments of States Members of the United Nations or members of the specialized agencies or of the International Atomic Energy Agency.

Attachment

Distribution:

Executive Directors and Alternates
President
Vice Presidents
Department Heads

IFC - President
Vice President
Director of Investments
Department Heads

Sec. 59-23

SF/1
1 January 1959



T H E
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S P E C I A L F U N D

A n E x p l a n a t o r y P a p e r
b y t h e M a n a g i n g D i r e c t o r

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FOREWORD

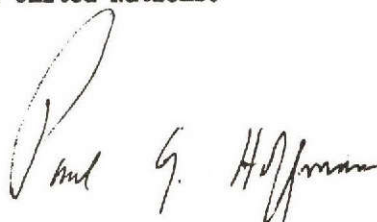
The newly established United Nations Special Fund has a strategic role to fill with respect to the less developed areas. It is designed to concentrate on the removal of bottlenecks and other obstacles that have been hampering the progress of a country or a region. Among the most important of these is the lack of comprehensive surveys in depth of natural resources, manpower, skills and industrial potentials which would create a solid basis for future advancement.

This the Special Fund will be competent to provide, without conflicting with - in fact it will complement - the activities of the Expanded Programme of Technical Assistance, the International Bank, the other specialized agencies of the United Nations and the United Nations itself, or the bilateral technical aid programmes. Every precaution is being taken to assure that overlapping functions are avoided.

Through such surveys, accompanied where appropriate by pilot and other projects, we look forward confidently to an effective contribution by the Special Fund to the economic advancement of the less developed countries.

This explanatory paper, which is based on resolution 1240 (XIII) adopted by the General Assembly on 14 October 1958, is issued in the hope that it may be of use, particularly to government officials and others who are directly concerned, in clarifying the objectives and principles of the Special Fund and the methods and procedures of its operations.

This is my first opportunity, as the Managing Director of the Special Fund, to address all Governments eligible to participate. May I, as my first statement, express my deep appreciation of the confidence placed in me. I shall do my best to justify it. I hope the Special Fund will fulfil our expectations that it will help significantly the further economic development of the less developed countries, one of the most important objectives of the United Nations.



1 January 1959
United Nations Special Fund
New York City, New York

Paul G. Hoffman
Managing Director

I. CRITERIA FOR SELECTING PROJECTS FOR THE SPECIAL FUND

The Special Fund's operations are intended to be of immediate significance for the acceleration of the economic development of the less developed countries and will, it is hoped, facilitate new capital investments of all types by creating conditions which will make such investments either feasible or more effective.

The Managing Director of the Special Fund, in reviewing applications for assistance and in making recommendations to the Governing Council, and the Governing Council in turn, in deciding on these recommendations, will be guided by certain criteria which are of particular importance to Governments submitting requests:

1. Concentration on relatively large projects: The Special Fund will concentrate, as far as practicable on relatively large projects and will avoid allocation of its resources over a large number of small projects. This is an important criterion which will distinguish Special Fund operations from those of the Expanded Programme of Technical Assistance. The latter programme, in order to take account of the wide variety of needs and of opportunities for technical assistance, and while not excluding large projects, has generally had to spread its resources over a large number of projects and distribute its resources geographically through the system of country programming, in accordance with its basic legislation. The Special Fund, by contrast, will concentrate on a more limited number of projects involving relatively heavier individual budgetary commitments.

2. Urgency of needs: Consideration will be given to the urgency of the needs of the requesting countries. This criterion will be applied to project submissions and not to country needs in general, in view of the fact that programmes will be developed on a project basis. There will be no a priori allocation of funds on a country basis or among basic fields of assistance.

3. Prospect of early and tangible results: Projects will be undertaken which will lead to early results and have the widest possible impact in advancing the economic, social or technical development of the country or countries concerned, in particular by facilitating new capital investments. It is hoped that the work carried out with the assistance of the Special Fund may be taken into consideration in suitable cases by the International Bank for Reconstruction and Development

and other lending or granting agencies in making their decisions.

4. Wide geographical distribution: The Special Fund will give due consideration to wide geographical distribution of its aid over a period of years. The qualification "over a period of years" is meant to take into account the fact that the Special Fund, if it is to concentrate on relatively large projects, may be unable to ensure a wide geographical distribution in any particular year. In any case, as has been emphasized, decisions will be made on the basis of the merits of individual projects, and no country targets will be fixed.

5. Technical, organizational and financial feasibility: The Special Fund must give due consideration to technical, organizational and financial problems likely to be encountered in executing a proposed project. This criterion refers to arrangements which will have to be made with recipient Governments regarding the execution of certain projects. Such arrangements may have to do with expenditure of local funds or with the training of local personnel to assume responsibility when the project is completed. The purpose is to make it clear that the programmes assisted by the Special Fund cannot be successful without the full participation of the recipient Governments.

6. Effective co-ordination: The Special Fund will give due consideration to the arrangements made for the integration of projects into national development programmes and for effective co-ordination with other multilateral and bilateral programmes of the assistance given to a project.

7. No political interference: The General Assembly resolution specifies that 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.

8. Early transfer of responsibilities to assisted countries: While the Special Fund may give assistance over a number of years (see 10 hereafter), projects should be devised in such a way as to facilitate transfer, as soon as possible, of the financial responsibilities of the Special Fund to assisted countries or to organizations designated by them.

9. Country and regional projects: Projects may be for one country or a group of countries or a region. It is believed that the Special Fund may be of particular value in financing projects involving several countries or an entire region.

10. Duration of projects: The Special Fund, in view of the nature of its operations which call for concentrated and sustained assistance, is specifically authorized and expected to approve projects for more than one year's duration. This is in contrast to the Expanded Programme of Technical Assistance which operates, from a financial point of view, on a year-to-year basis.

II. BASIC FIELDS AND TYPES OF ASSISTANCE

The Special Fund is to assist projects in the following basic fields: resources (including manpower), industry (including handicrafts and cottage industries), agriculture, transport and communications, building and housing, health, education, statistics and public administration.

Projects qualifying for assistance can take various forms or combinations of forms: surveys; research and training; demonstration, including pilot projects. They may be carried out 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 Special Fund. All these types of assistance may be combined in such proportions as are judged necessary by the Managing Director for each project, taking into account the type of assistance requested by Governments.

The Special Fund will be in a better position to provide equipment than has been possible under the Expanded Programme of Technical Assistance. However, the Special Fund will in no case finance capital investments.

III. PARTICIPATION IN THE SPECIAL FUND

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

IV. ORGANIZATION AND MANAGEMENT OF THE SPECIAL FUND

The Special Fund is administered under the general authority of the Economic and Social Council and of the General Assembly of the United Nations. Its organs are: a Governing Council, the Managing Director and his staff, and a Consultative Board.

A. The Governing Council

The Governing Council consists of representatives of eighteen States elected by the Economic and Social Council. It exercises the immediate inter-governmental control of the policies and operations of the Special Fund. In particular, it provides general policy guidance on the administration and operations of the Special Fund; exercises final authority regarding the approval of the projects and programmes recommended by the Managing Director; reviews the administration and the execution of approved projects; submits reports and recommendations to the Economic and Social Council; and approves the administrative budget of the Special Fund.

The present composition of the Governing Council, with nine members representing economically more developed countries, having due regard to their contributions to the Special Fund, the other nine representing less developed countries, is as follows: a/

<u>Representing more developed</u> <u>countries</u>	<u>Representing less developed</u> <u>countries</u>
Canada	Argentina
Denmark	Chile
France	Ghana
Italy	India
Japan	Mexico
Netherlands	Pakistan
Union of Soviet Socialist Republics	Peru
United Kingdom	United Arab Republic
United States	Yugoslavia

The Governing Council is to meet normally twice a year and on such occasions as may be necessary, in conformity with the rules of procedure it will adopt. The first session of the Governing Council will be held on 26 and 27 January 1959, at the United Nations Headquarters in New York City.

a/ Argentina, France, India, Mexico, the United Kingdom and the United States are serving for three years; Chile, Denmark, Ghana, Italy, the Netherlands and the United Arab Republic for two years; Canada, Japan, Pakistan, Peru, the Union of Soviet Socialist Republics and Yugoslavia for one year. Retiring members are eligible for re-election.

Decisions of the Governing Council on important questions, including questions of policy, the approval of projects and the allocation of funds, will require a two-thirds majority vote of the members present and voting.

B. The Managing Director and his staff

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

The Managing Director is assisted by a small group of officials selected on the basis of their special competence. As a general rule, he will 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.

In order to facilitate field co-ordination between the Special Fund and the Expanded Programme of Technical Assistance, it is provided that the Managing Director shall enter into an agreement with the Executive Chairman of the Technical Assistance Board concerning the role of the resident representatives of this Board in the work of the Special Fund.

The administration of the Special Fund is located at the Headquarters of the United Nations in New York City.

C. The Consultative Board

A Consultative Board 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, will assist the Managing Director with advice in the examination and appraisal of project requests and proposed programmes of the Special Fund.

Representatives of the specialized agencies and of the International Atomic Energy Agency will be invited to the deliberations of the Consultative Board when projects falling mainly within their fields of activity are considered.

V. PROCEDURES

It is not possible, at this early stage, to describe in detail the procedures which will be followed for the submission, evaluation, approval and execution of project

requests. Many details are still to be settled by the Governing Council or will be developed by the Managing Director in the light of practical experience, with the advice of the Consultative Board. As in the case of other United Nations programmes, information on procedural matters will be brought to the attention of Governments from time to time in appropriate communications from the Managing Director. Meanwhile, Governments may welcome the following guidance:

A. Source of requests

Projects will be undertaken only at the request of a Government or group of Governments eligible to participate in the Special Fund. Requests from Non-Self-Governing Territories will be made through the metropolitan Governments; requests from Trust Territories will be made by the Administering Authorities.

B. Channel of requests

Governments should submit their requests for assistance to the Managing Director of the Special Fund.

Governments are requested by the General Assembly resolution to designate to the Managing Director an official channel for the submission of requests and that channel only will be utilized by the Special Fund. This is in order to ensure that requests will not be submitted independently by various government departments.

C. Presentation of requests

There is as yet no prescribed form for applications for assistance. As a general rule, however, all possible information should be provided which would permit the Managing Director to form a sufficient basis for further discussion and inquiries. The information supplied should be sufficient to enable the Managing Director to evaluate requests in the light of the principles governing the Special Fund and to present to the Governing Council, for a final decision by the latter, a complete case in accordance with what is stipulated hereafter under "Evaluation and approval of requests".

Governments are advised that the facilities of the Expanded Programme of Technical Assistance, especially the resident representatives of the Technical Assistance Board, and of the United Nations, the specialized agencies and the International Atomic Energy Agency, are at the disposal of Governments to assist and advise them, at their request, in the preparation of applications for assistance. The Managing Director of the Special Fund will also be glad to discuss

with the Governments any matters related to intended requests for assistance on which Governments may wish to consult him.

It is naturally difficult to give guidance and help to Governments as to the form of presentation and contents of their requests, at this initial stage of the work. From General Assembly resolution 1240 (XIII), Governments will note that they are expected to submit all possible information in the following respects:

1. Field and type of assistance required

It would be desirable for a project submission to indicate that the project conforms to the requirements of the above-mentioned resolution, in the light of the explanations given in Sections I and II above. Whenever a project bears a relationship with an existing or previous project assisted by the Expanded Programme of Technical Assistance such relationship should be indicated.

2. Intended use and expected benefits

Whenever possible, quantitative estimates of benefits expected would be helpful such as, for example, the number of agencies and firms likely to utilize the services of a technological institute.

3. Technical data

Technical information would be desirable which would make it possible to form a general idea of the technical soundness of the project as a whole as well as of its various components.

4. Data bearing on the economic appraisal of the project

The project submission should preferably contain data which would make it possible to ascertain that the project is economically sound, in particular in relation to the general economic development programme or policies of the country. If possible, it would also be desirable to show that subsequent implementation of the project will not be hampered by financial, organizational or technical difficulties. Such information would be particularly significant in relation to requests in the field of natural resources surveys.

5. The extent and type of financing expected from the Special Fund

Wherever possible, financial information should include:

- (a) an estimate of the total cost;

(b) information on the extent of financing likely to be available from other sources (local financing, including services and facilities which the Government would provide, bilateral and other multilateral financing, contributions from private organizations etc.);

(c) breakdown of expenses so as to permit a financial evaluation of the project, including breakdown according to types of assistance (foreign staff, equipment, fellowships);

(d) in case of projects extending over several years, a general time schedule would be desirable.

D. Evaluation and approval of requests

Project requests will be evaluated by the Managing Director who will normally rely, in such evaluation, 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 is also authorized to contract, if necessary, the services of other agencies, private firms or individual experts for this purpose.

On the basis of the evaluation of project requests, the Managing Director, in consultation with the Consultative Board, will periodically develop programmes for submission to the Governing Council. The Managing Director will present to the Governing Council only those projects which he recommends for adoption. However, at the request of the Government, or Governments concerned, he will submit to the Governing Council, for its consideration, a report on project requests which he has been unable to include in his programme. The first programme of the Special Fund's operations and commitments for 1959 is expected to be ready for submission to the Governing Council around May.

The Managing Director will submit to the Governing Council, on each project, information which will include:

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

(b) A summary of the technical evaluation of the project;

(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.

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

E. Execution of projects

Projects will be executed, whenever possible, by the United Nations, by the specialized agencies concerned, or by the International Atomic Energy Agency. The Managing Director is also authorized, if necessary, to contract for the services of other agencies, private firms, or individual experts.

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

The Managing Director will make appropriate arrangements to follow the execution of projects, and will currently report to the Governing Council on the status of progress of projects and the financial position of projects and programmes.

VI. FINANCES OF THE SPECIAL FUND

The resources of the Special Fund derive from voluntary contributions by Governments. The Special Fund is also authorized to receive donations from non-governmental sources. The General Assembly, in its resolution, recommended that, in view of the expected longer duration of many of the Special Fund's projects, government contributions should be pledged or indicated, whenever possible, for a number of years.

So far, forty-seven Governments have pledged contributions equivalent to a total of \$18 million for 1959. On the basis of available indications, it is expected that a total of about \$26 million will be pledged by Governments for 1959.

These contributions were made in the currency of the donor country, sometimes with provision for partial or full conversion to other currencies. The General Assembly, in its

resolution, urged Governments to make available as large a percentage as possible of their contributions in such currency or currencies as the Managing Director may indicate are required for the execution of the Special Fund's programme.

The General Assembly resolution provides that recipient Governments will 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.

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

The Governing Council is also 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 Special Fund.

VII. TIMETABLE OF STEPS ENVISAGED FOR THE ESTABLISHMENT OF PROGRAMMES IN 1959

The Special Fund will start its operations on 1 January 1959. From that date until 26-27 January 1959, when the Governing Council holds its first session, it will obviously not be possible for the Managing Director to develop a programme of operations for submission to the Governing Council in conformity with paragraphs 35 and 38 of General Assembly resolution 1240 (XIII). At its first session, the Governing Council will therefore deal primarily with matters relating to the general organization of its own work as well as that of the Special Fund generally. It is planned to hold a second session of the Governing Council in May, at which session the Council is expected to have before it a first programme of operations recommended by the Managing Director, on the basis of requests that may have been received up to the middle of March. A second programme of operations will be submitted to the Governing Council in a session scheduled to be held during the fall of 1959.

Spec. Fund

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NEW YORK

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FILE NO.:

EC 132/221(2)

9 January 1959

Dear Mr. Black,

I have pleasure in informing you that the Governing Council of the newly established United Nations Special Fund will hold its first session at the United Nations Headquarters in New York on 26 and 27 January 1959. The General Assembly in its resolution 1240 (XIII), paragraph 20, provided that the Governing Council shall make appropriate arrangements in its rules of procedure for the representation of the specialized agencies and that, to this end, it shall take due account of the practice followed by the Economic and Social Council. In order to enable the Governing Council at the beginning of its first session to conduct proceedings before full consideration is given to the question of rules of procedure, I will submit to it, immediately after the opening of the session, some draft rules of procedure and propose that these be adopted provisionally. In the draft rules, which are now being prepared in consultation with the Legal Office, provision

Mr. Eugene R. Black
President
International Bank for Reconstruction
and Development
1818 H Street, N.W.
Washington 25, D.C.

UNITED NATIONS



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- 2 -

will be made for the representation of the specialized agencies, whose attendance at the session will, I feel sure, be warmly welcomed.

A copy of the suggested provisional agenda for the session is attached. Under item 4, I propose to report to the Governing Council on provisional administrative and budgetary arrangements, provisional financial procedures and provisional arrangements for the examination of requests.

..... May I also send you, for your information, the enclosed explanatory paper on the Special Fund which is being sent to all Governments of States Members of the United Nations or members of the specialized agencies or of the International Atomic Energy Agency.

Yours sincerely,

A handwritten signature in dark ink, appearing to read "Paul G. Hoffman", is written over the typed name.

Paul G. Hoffman
Managing Director
United Nations Special Fund

7/15 11 11 1963

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JAN 12 11 11 AM 1959

Provisional Agenda for First Session of Governing Council

1. Opening remarks by the Managing Director.
2. Election of officers.
3. Adoption of rules of procedure in conformity with the relevant provisions of General Assembly resolution 1240 (XIII).
4. Report by the Managing Director on action taken or intended.
5. Report on status of contributions.
6. Date of next session and consideration of the provisional agenda for the second session.

Mr. Black

December 2, 1958

Richard H. Demuth

Special Projects Fund

I learned in New York yesterday that the Governing Board of the new Special Fund is to be called into a special meeting on Thursday for "consultation" on the appointment of Paul Hoffman as the Managing Director. The Secretary General expects to announce Mr. Hoffman's appointment Thursday evening.

RHD:tf

PAUL G. HOFFMAN
1489 EL MIRADOR DRIVE
PASADENA, CALIFORNIA
PHONE RYAN 1-8309

Open File

DECLASSIFIED

December 1, 1958

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Personal

Dear Gene:

As you perhaps know, I have agreed to Secretary-General Hammarskjold's submitting my nomination to the Governing Council as the first Managing Director of the Special Fund. One of the compelling reasons for my so doing is because of the opportunity it affords to make a contribution in the field in which you have given such effective service.

With warm regards.

Sincerely yours,

Paul Hoffman

Mr. Eugene R. Black
International Bank for
Reconstruction & Development
1818 H Street, N. W.
Washington, D. C.

ROUTING SLIP

Date

November 28, 1958

NAME

ROOM NO.

Mr. Sommers

1003

File

Action

Note and File

Appropriate Disposition

Note and Return

Approval

Prepare Reply

Comment

Per Our Conversation

Full Report

Recommendation

X

Information

Signature

Initial

To Handle

REMARKS

Fr

Richard H. Demuth

Spec Fund

OFFICE MEMORANDUM

TO: Files
DATE: November 25, 1958

FROM: Richard H. Demuth

SUBJECT: Pledges for U.N. Technical Assistance Program and Special Projects Fund

The precise total amount to be available in 1959 for the Expanded Technical Assistance Program and the Special Projects Fund is not yet known because not all the contributions are in, some countries have not yet made clear how they will divide their contribution as between the two purposes, the matching requirement of the U.S. is not yet entirely certain, and the total amount of the U.S. subscription, whatever the matching requirement, cannot be computed until the total amount of the other contributions is known. However, in general, the situation is likely to turn out roughly as follows:

1. The Technical Assistance Program is likely to get about \$30 million, of which \$1.75 million will be in rubles and another \$150,000 in Eastern European currencies. All other contributions to ETAP are considered "useable".
2. The Special Projects Fund has thus far received pledges, from countries other than the United States, amounting to about \$13.8 million. This includes an arbitrary allocation of the German and Swedish contributions, which have not yet been divided by the donor governments as between the Special Fund and ETAP. If the United States decides on a matching requirement of 40%, this means that the U.S. contribution would be \$9.2 million, or a total for the Special Projects Fund of \$23 million. But some countries such as India and Norway and some Latin American countries have not yet announced their contributions. The U.N. believes that these additional contributions may equal \$1.9 million which would call forth, again on a matching requirement basis of 40%, an additional \$1.2 million from the U.S. If these assumptions are correct, the Special Fund would have roughly \$26 million. Of this total amount, U.N. sources consider that roughly \$22 million will be useable for one purpose or another.

Mr. Richard H. Demuth

November 3, 1958

Patterson H. French

General Assembly (2nd Committee) debate on the
Special Fund, October 6 - 10, 1958

The Debate

The debate continued along the lines of the first week. (See Mr. King's memorandum of October 7.) The debate dealt in approximately equal proportions with the method of choosing the Governing Council of the Special Fund and with the desirability of SUNFED.

At one point the representative of Honduras said that instead of having the Bank on the Consultative Board, any specialized agency should so serve when projects in its field were being discussed. The representative from Nicaragua spoke in opposition to this proposal and nothing more was heard of it. Except for one or two criticisms of the Bank by the representative of the USSR, there was no other reference to the Bank.

The representative of Finland supported the remarks previously made by the representative of Sweden about the dangers of inefficiency, extravagance and duplication in the administration of the Special Fund. The representative of Yemen criticized UN officials especially those of UN/TAA, for their extravagant salaries and luxurious living; the representative of Costa Rica objected.

On Friday, October 10, the two groups introduced amended resolutions agreeing on all provisions except the method of election of the Governing Council and except that the 17-power resolution added a sentence that the "General Assembly appeals to member states to work for the speedy establishment of a United Nations Capital Development Fund."

A vote was taken on the provision as to method of election. The original provision (election by ECOSOC) prevailed, 46 to 31, with Portugal abstaining.

There was extensive debate on the provision about SUNFED. The representatives of Mexico (Dr. Urquidi) and of Italy offered compromise versions, and the U.S. and Canada endeavored to get the whole subject dropped. It was finally decided to adjourn until Monday.

U. N. Secretariat and the Special Fund

Mr. Ralph Townley told me that the Secretariat would probably be approaching the Bank for further advice and assistance on the kind of projects which the Special Fund would undertake.

Miscellaneous

Mr. King's suggestion of having the World Series piped into one of the simultaneous translation channels had been pursued further by a self-appointed Samaritan. It had proved to be technically unfeasible in that the hookup would involve two different branches of the U.N. hierarchy and the formalities of approval made the project obviously impracticable. In short, the engineer in the control room of the simultaneous translation operation could (and did) hear the series but had no way of plugging it in to one of his channels without appeal to higher authority.

cc: Mr. Sommers

Attach: Revised Resolutions A/C.2/L.362/Rev.1 (October 9, 1958)
A/C.2/L.363/Rev.1 (October 8, 1958)

CROSS REFERENCE SHEET

COMMUNICATION: Memo

DATED: October 24, 1958

TO: Mr. Demuth

FROM: Mr. Lopez-Herrarte

FILED UNDER: ADMINISTRATIVE FILES
ECOSOC

SUMMARY: Excerpt:

ECOSOC Meeting - October 23, 1958

2. The Council elected the member countries to serve on the Board of Governors of the Special Fund. The following countries were elected:

France, U.K., U.S., Canada, Denmark, Japan, and the Netherlands	(18 votes)
U.S.S.R. and Mexico	(17 votes)
Italy	(16 votes)
Chile and Yugoslavia	(15 votes)
Argentina and India	(14 votes)
Ghana and U.A.R.	(13 votes)
Pakistan	(12 votes)
Peru	(10 votes)

September 16, 1958

My dear Philippe:

Please forgive the delay in replying to your letter of August 6. I appreciate greatly your recognition of the modest help that we have been able to give you in the matter of the Special Fund. ✓

As you will realise, with delegations from 67 member countries to cope with, my time in Delhi is likely to be very fully mortgaged on discussions directly connected with Bank relationships, but I will certainly be glad to take any opportunity that offers of rendering my support to the Special Fund project and, of course, once the Special Fund starts operating, you can look to us to give you any assistance within our power.

With kind regards,

Sincerely yours,

Eugene R. Black

Mr. Philippe de Seynes
Under-Secretary for Economic
and Social Affairs
European Office of the United Nations
Palais des Nations
Geneva, SWITZERLAND.

C.C. Mr. Black's office

WAB Iliff/eb

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

File

OFFICE MEMORANDUM

TO: Mr. Sommers

FROM: Richard H. Demuth 

SUBJECT: U.N. General Assembly -- Debate on Special Fund

DATE: September 15, 1958

It has been arranged that the Bank will be represented at the General Assembly debate on the Special Fund by Messrs. King and French. Mr. King will go for the first part of the debate and will then be relieved by Mr. French.

Mr. de Seynes has asked that King and French stop in to see him when they first get to New York and he will give them whatever assistance he can.

cc: Messrs. King and French

INCOMING WIRE

DATE OF WIRE: JULY 31, 1958 1735

TO: INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

FROM: GENEVE

ROUTING
ACTION COPY TO MR. DEMUTH
INFORMATION COPY TO
Decoded By

TEXT: ✓

5 FOR DEMUTH COUNCIL APPROVED WITHOUT CHANGES SPECIAL FUND AFTER
REJECTING USSR PROPOSAL TO EXCLUDE BANK FROM CONSULTATIVE BOARD
MAILING DOCUMENT. WORLD ECONOMIC CONFERENCE REJECTED. WILL
FOLLOW SCHEDULE MENTIONED LETTER JULY 24 UNLESS YOU SUGGEST
OTHERWISE REGARDS.

LOPEZHERRARTE

DISPATCHED
GENERAL DES
AUG 1 10 16 AM 1958
CORRESPONDENCE

ORIGINAL

July 28, 1958

Dr. Enrique Lopez-Herrarte
Hotel Richemond
Geneva, Switzerland

Dear Enrique:

Un. Demush

Many thanks for your letter of July 24 which arrived this morning.

I am hastening to reply for two reasons. First, I want to congratulate you on the success you achieved in avoiding an ECOSOC debate on the PPIT proposal. While I appreciate that the project is not yet killed, I cannot but believe that the effect of your strategy will be to dampen the ardor of Mr. Evans. I do hope that he will not relieve his frustration by writing us more long letters which will call for more long replies.

PPIT

The second reason for writing you so promptly is to tell you that I am entirely agreeable to your taking a few days' leave in Italy, as you propose to do. I am sure that after the weeks of ECOSOC debate a few days either of sea breezes or of mountain air will be very welcome. I see no reason from this end why you should have to get back here before August 18. Unfortunately, your schedule will mean that we will probably miss connections because I am hoping to get away for a two- or two-and-a-half-week vacation the preceding Saturday. However, this will just give us more to catch up on when I get back after Labor Day.

The New York Times carried an article about the Special Fund on Sunday which indicated that the Secretary General had not been very successful in stimulating pledges of financial support. According to the Times, only \$6 million has been pledged, apart from the U.S. contribution; given a 40% restriction on the U.S. contribution, this would mean a total of only about \$8.5 million. I would appreciate it if you would keep me informed as much as possible about developments in connection with this particular aspect of the Special Fund. Mr. Black told me before he went off on vacation that he understood that Paul Hoffman was going to accept the directorship of the Fund. I am wondering whether an announcement to this effect would cause more contributions to come in and also, on the other side, whether the paucity of contributions might cause Hoffman to decline the appointment.

Spec. Fund

July 28, 1958

The prospects for the Special Fund certainly were not greatly advanced by the action of the Senate last week in adopting the Monroney Resolution by a vote of 62 to 25. This was rather a remarkable endorsement of a multilateral approach to foreign aid, although there is clearly a large gap between adoption of the Resolution and creation of the proposed International Development Association. There is some indication, however, that the Administration may be getting prepared to endorse the Monroney proposal affirmatively, in which event its prospects might well be quite bright. Mr. Black, as you can imagine, remains very enthusiastic about the idea.

Thank you very much for your efforts in connection with the recruitment of a transport expert for Tanganyika. In the event, it was as well that you did not succeed. Our recruitment efforts were so unavailing because of the short time that we had allowed ourselves to get the mission organized that we finally had to delay the whole project. According to present plans, the mission will go out next spring instead of in September. If there is any possibility of getting Levert for that time, we would be very interested in him.

I share your amazement at the proposal to increase the size of ECOSOC. Sometimes I feel that those in charge of international organizations in the various important state departments of the world are out of touch with reality.

That's all for now. Everyone here at the office joins me in sending our very warm regards.

Sincerely yours,

Richard H. Demuth
Director
Technical Assistance and Liaison Staff

RHD:tf

AUG 11 REC'D

EUROPEAN OFFICE
OF THE UNITED NATIONS



OFFICE EUROPÉEN
DES NATIONS UNIES

Télégrammes : UNATIONS, GENEVE

Téléphone : 33 10 00 33 20 00 33 40 00

Palais des Nations
GENÈVE

REF. No.:

(à rappeler dans la réponse)

6 August 1958

My dear Gene,

I should like to bring you up to date on the latest developments concerning the Special Fund. The debate in ECOSOC was somewhat more thorough than some people had anticipated and hoped for. There were a number of attempts to introduce amendments to the Report of the Preparatory Committee arising both from the metaphysical quarrel over the nature of the Fund and from some of the more specific controversies in respect to its structure. Nevertheless, the fort was solidly held and the recommendations of the Preparatory Committee were retained, as you will see from the attached resolution sent to the General Assembly for adoption, in the form of "provisions governing the Special Fund". There is every reason to believe that the Assembly will take this in its stride.

I might seize this occasion to express my deep appreciation for the role, discreet and highly efficient, played by the International Bank in the evolution of the Special Projects Fund. The support and participation of the Bank has been, and will continue to be, one of the keys to the success of this venture. In that light, I wonder whether you might find it possible, during your Delhi meetings, to take advantage of any private talks you may have with some of the Finance ministers and other high officials to acquaint these gentlemen with the matter and perhaps instil in them a little enthusiasm. There is, in my view, no real reason to worry about contributions particularly since the management of the Fund will want to be highly selective in the choice of projects and might be submitted to pressures difficult to resist if there were too much money in the very early stages. Nevertheless, a direct interest of responsible authorities in certain of the major contributing countries such as Germany, Italy, Canada, Australia etc., would be, I think, a guarantee of a sustained and continuing effort.

Mr. Eugene Black,
Managing Director,
International Bank for
Reconstruction and Development,
1212 H Street,
WASHINGTON, D.C.

*Am? Demand
to be handled
plan speak to me
LST.
TST*

delivered Sept 16

I regret very much that, because of the General Assembly, I will not myself be able to attend your annual meeting, which I usually so much enjoy. However, I wish you the best possible success and in the meantime a pleasant and restful vacation.

With warm personal regards,

sincerely,

Philippe de Seynes

Philippe de Seynes,
Under-Secretary for Economic and
Social Affairs

COMMUNIC. D. D. NCE

VUE 11 10 ve VW 1929

I regret very much that, because of the General Assembly, I will not myself be able to attend your annual meeting, which I usually so much enjoy. However, I wish you the best possible success and in the meantime a pleasant and restful vacation.

With warm personal regards,

sincerely,

Philippe de Seynes

Philippe de Seynes,
Under-Secretary for Economic and
Social Affairs

CORRESPONDENCE

AUG 11 10 46 AM 1958

RECEIVED

RECEIVED

Mr. Richard Demuth

October 7, 1958

B. B. King

General Assembly (2nd committee) debate on the Special Fund, September 29-October 3, 1958.

The Debate

The week was taken up with what the Chairman called a "semi-general" debate on the draft resolution recommended by ECOSOC in its resolution 692 (XXVI). This was virtually identical with that recommended by the Preparatory Committee.

On Tuesday the Committee had before it two draft resolutions. One was a 26-power* resolution (A/C2/L363) which more or less accepted the ECOSOC version. The 17 powers** sponsoring the other one (A/C2/L362) protested against an attempt to railroad the ECOSOC version through and offered certain amendments:

- (i) They proposed language, principally in the preamble, which would keep the idea of Sunfed from slipping into the background and:
- (ii) They wanted the Governing Council to be elected by the General Assembly rather than ECOSOC (paragraph 13).

There was not much argument about (i). In fact much of the debate consisted of statements in favor of Sunfed (much as one would make them against sin), although some delegates had the temerity to say that it was supposed to be about the Special Fund. On the question of the Governing Council's election, there were no concessions and no very telling arguments. The idea that election by the General Assembly would be more democratic assorted ill with the regimes of some of its supporters.

Conciliatory speeches were made by the Dutch and Mexican delegates. On Thursday the delegate from Brazil, which had apparently got on to the 17-power group on an error, proposed an informal working group from the two camps to try to reach a compromise, a proposal which was seconded by the Cuban delegate and welcomed by the Chairman. This did not stop the speeches.

*Argentina, Chile, China, Colombia, Costa Rica, Cuba, Denmark, Dominican Republic, France, Haiti, Italy, Iran, Japan, Laos, Liberia, Luxemburg, Netherlands, Norway, Pakistan, Peru, Philippines, Spain, Thailand, Turkey, United Kingdom, United States.

**Afghanistan, Brazil, Burma, Ceylon, Ethiopia, Ghana, Greece, India, Indonesia, Iraq, Libya, Morocco, Saudi Arabia, Sudan, United Arab Republic, Yemen, Yugoslavia.

There were a few observations on other points, but mainly on such theological matters as the distinction between a large and a small project. There will be more this week, when the debate shifts from the semi-general to the particular.

Apart from the Russian bloc, which wants the IBRD out and a Managing Director with reduced authority from an underdeveloped country, there was very little reference to the Bank. One exception was an impassioned speech by the Colombian delegate (Dr. Alvarez, former Minister of Finance), in which he praised the Bank highly for its technical assistance, saying that it had been just as valuable as its financial assistance.

A couple of delegates asked your observer informally about IDA, and were referred to the U.S. delegation, which subsequently mentioned the various proposals it would be making at New Delhi. In a very independent speech, the Swedish delegate criticized the organization of the Special Fund for being "absurdly unwieldy" and "unnecessarily expensive" and said that Swedish taxpayers were not in favor of so many "agreeable meeting-sojourns for the privileged who attend them". She also pointed out that I.D.A. bore more resemblance to Sunfed than the Special Fund did. There could be more about I.D.A. this week and, very likely, later when there is a debate on economic development in general.

U.N. Secretariat and the Special Fund

From conversations with Messrs. de Seynes and Townley, it appears that the U.N. wants the Special Fund to get off to a good start, but is rather short on ideas for projects. They are hoping that the Bank will come up with some.

Miscellaneous

There were times when your observer was afflicted with doubts as to whether he was earning his keep. However he can take credit for one suggestion, which evidently reached the authorities through the proper channels (U.S. delegation), although it was not adopted. This was to pipe in the World Series on one of the 6 simultaneous translation channels that was not being used.

cc Mr. Sommers ✓

(copy sent to Bank files)

Attachments to original

Draft resolutions A/G2/L362 and L363; ECOSOC--Resolutions Supplement No. 1 (E/3169); List of delegates A/G2/199; A/3910 (summary of replies to enquiry by the S.G. on contributions); speeches by delegates from Canada, Mexico, Netherlands, Sweden, U.S., Yugoslavia.

11th Spec Fund
(Excerpt from letter from Dr. Lopez-Herrarte to Mr. Demuth)

Geneva, July 24, 1958

3. As I stated in my cable, the Special Fund is still pending of approval by ECOSOC although general statements on it have been made. It will be considered by the Economic Committee of the Council next week, and will be almost the last item to be taken in plenary before adjournment. I do not anticipate any major trouble, because we have had several private meetings with the most interested delegations on the proposed procedure and resolutions. My guess is that ECOSOC will recommend to the General Assembly the creation of the Fund with some general language which does not mean much and will in no way alter the recommendations of the Preparatory Committee. However there will be several attempts to modify the project. For one the USSR will attempt once again to delete the name of the Bank from the Advisory Board; another proposal could be from Indonesia to include FAO on the Board; both of them will be rejected. This latter idea of including FAO was injected into the Council's debate by Sen himself. However the Canadians (Pollock) and Dr. Candau of WHO talked to Sen, and my information is that he will not press it. I hope so, in any case I will advise you by cable when the Council approves the project and how it is done.

[Orig. letter in T.A. & L. files under "Special Fund"]

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

**FOR
EXECUTIVE
DIRECTORS'
MEETING**

DECLASSIFIED

APR 29 2025

WBG ARCHIVES

R 58-49

(For consideration by the
Executive Directors at
Regular May Meeting)

FROM: The Secretary

May 2, 1958

REPORT OF UNITED NATIONS PREPARATORY COMMITTEE
FOR SPECIAL FUND

The attached report and recommendations of the United Nations Preparatory Committee for the Special Fund will be considered by the Executive Directors at their Regular May Meeting, at a time to be announced, with particular reference to paragraph 27 on page 20, which provides for a Consultative Board composed of three members, one of whom would be the President of the Bank or his designated representative.

Attachment

Distribution

Executive Directors and Alternates
President
Vice Presidents
Department Heads

UNITED NATIONS NATIONS UNIES

NEW YORK

File No.: EC 132/221 (2)

25 April 1958

Dear Mr. Black,

..... I have pleasure in sending you herewith the Report and Recommendations of the Preparatory Committee for the Special Fund, established by the General Assembly in its resolution 1219 (XII). I would like to take this opportunity to thank you and your colleagues for your help and cooperation which I think contributed to a considerable extent to the success of this preparatory work.

In the course of the next few days a letter will be going to Governments enquiring from them the extent to which they are willing to contribute to the Special Fund and I will be informing the Council at its summer session of the response of Governments to this enquiry.

Yours sincerely,

/s/

Philippe de Seynes
Under-Secretary for
Economic and Social Affairs

Mr. E. R. Black,
President,
International Bank for Reconstruction
and Development,
1818 H Street, N.W.,
WASHINGTON, D.C.

UNITED NATIONS
ECONOMIC
AND
SOCIAL COUNCIL



Distr.
GENERAL

E/3098
22 April 1958

ORIGINAL: ENGLISH

Twenty-sixth session
Agenda item 4

ECONOMIC DEVELOPMENT OF UNDER-DEVELOPED
COUNTRIES

REPORT AND RECOMMENDATIONS OF THE PREPARATORY
COMMITTEE FOR THE SPECIAL FUND SUBMITTED IN
ACCORDANCE WITH GENERAL ASSEMBLY RESOLUTION
1219 (XII)

Letter of transmittal

15 April 1958

Sir,

I have the honour to submit to the Economic and Social Council the Report and Recommendations of the Preparatory Committee for the Special Fund which was established by the General Assembly in its resolution 1219 (XII).

Accept, Sir, the assurances of my highest consideration.

Mohammed Mir Khan
Chairman, Preparatory
Committee for the Special Fund

Mr. Geroge Davidson,
President, Economic and Social Council
United Nations, New York

/...-88

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III. Recommendations	16

ANNEXES

1. Illustrative list of types of projects
2. Text of General Assembly resolution 1219 (XII)

I. INTRODUCTION

1. The Preparatory Committee for the Special Fund was established by Section II, paragraph 4 of General Assembly resolution 1219 (XII) of 14 December 1957 and was entrusted with the following tasks:^{1/}

- (a) To define the basic fields of assistance which the Special Fund should encompass and, within these fields, the types of projects which should be eligible for assistance;
- (b) To define the administrative and operational machinery to be recommended for the Special Fund, including such changes as may be required in the present legislation and procedures of the Expanded Programme of Technical Assistance;
- (c) To ascertain the extent to which Governments would be willing to contribute to the Special Fund.

2. The General Assembly, in Section II, paragraph 7 of its resolution, requested Governments to assist the Preparatory Committee in its work by forwarding their views and suggestions to the Committee through the Secretary-General and, in particular, by indicating the extent to which they would be willing to contribute to the Special Fund. The General Assembly also invited the Secretary-General of the United Nations, the executive heads of the specialized agencies and the Executive Chairman of the Technical Assistance Board to forward their views and suggestions to the Preparatory Committee (Section II, paragraph 8).

3. The General Assembly requested the Preparatory Committee to submit the results of its work in the form of a report and recommendations to the Economic and Social Council at its twenty-sixth session. The Economic and Social Council, in turn, was requested to transmit the Preparatory Committee's report, together with its own comments, to the General Assembly, at its thirteenth session, for final action.

4. In Section II, paragraph 11 of its resolution, the General Assembly looked forward to the establishment of the Special Fund as of 1 January 1959.

5. The Preparatory Committee met at United Nations Headquarters in New York City from 11 March to 15 April 1958. The members of the Committee were represented as follows:

^{1/} The text of the resolution is reproduced in Annex 2.

Canada: Mr. S. Pollock, Representative
Mr. Rodney Grey, Adviser
Mr. J. Hadwen, Adviser

Chile: H.E. Sr. José Serrano, Representative
Sr. Octavio Allende, Adviser

Denmark: Mrs. N. Wright, Representative

France: M. Pierre Charpentier, Representative
M. Jean Denis Turpin, Adviser
M. Gérard Amanrich, Adviser
M. Philippe Marandet, Adviser

Ghana: Mr. D.A. Chapman, Representative
Mr. F.S. Arkhurst, Alternate
Mr. Y.B. Turkson, Alternate

India: H.E. Mr. Arthur S. Lall, Representative
Mr. M. Gopala Menon, Alternate
Mr. M.N. Sivaraman, Adviser

Japan: Mr. Masayoshi Kakitsubo, Representative
Mr. Motoo Ogiso, Adviser
Mr. Masao Ito, Adviser

Mexico: H.E. Sr. Rafael de la Colina, Representative
H.E. Sr. Eduardo Espinosa y Prieto, Alternate
Sr. A. Gonzalez de Leon Q., Adviser
Sr. Agustin Lopez Munguía, Adviser

Netherlands: Mr. J. Kaufmann, Representative
Miss J.D. Pelt, Alternate

Pakistan: H.E. Mr. Mohammed Mir Khan, Representative
Mr. Niaz A. Naik, Adviser
Mr. S.A. Karim, Adviser

Peru: H.E. Sr. Fernando Berckemeyer, Representative
Sr. José Encinas, Alternate

Union of Soviet Socialist Republics: Mr. Aleksei Roslov, Representative
Mr. Aleksei Sokirkin, Alternate

United Arab Republic: Mr. Abdel-Moneim El-Banna, Representative
Mr. Aly Fahmy, Alternate
Mr. Adel A. Talaat, Adviser

United Kingdom of Great Britain and Northern Ireland: Mr. R.D.J. Scott Fox, Representative
Mr. R.C. Barnes, Alternate

United States of America: Mr. Christopher H. Phillips, Representative
Mr. William Stibravy, Adviser
Mr. Seymour M. Finger, Adviser
Mr. Albert F. Bender, Adviser
Mr. Chauncey Parker, Adviser
Mr. William Wynne, ad hoc adviser
Mr. Peter Delaney, ad hoc adviser

/...

Yugoslavia: H.E. Mr. Leo Mates, Representative
Mr. Janvid Flere, Adviser
Mr. Bora Jevtic, Adviser

6. The Committee elected the following officers:

Chairman: H.E. Mr. Mohammed Mir Khan (Pakistan)
Vice-Chairman: H.E. Mr. Fernando Berckemeyer (Peru)
Rapporteur: Mr. Johan Kaufmann (Netherlands)

7. The United Nations was represented by the Deputy Under-Secretary for Economic and Social Affairs, the Director of the Bureau of Economic Affairs, and by the Director-General and the Deputy Director-General of the Technical Assistance Administration.

8. The Executive Chairman of the Technical Assistance Board participated in the work of the Preparatory Committee. The Committee invited representatives of the specialized agencies and of the International Atomic Energy Agency to participate in its work. The following agencies were represented:

Specialized Agencies:

International Labour Organisation:

Mr. Jef Rens, Deputy Director-General of ILO
Mr. R.A. Métall, Director, ILO Liaison Office with the United Nations
Mr. O.S. Seiersen

Food and Agriculture Organization:

Mr. Joseph L. Orr, Director, FAO Liaison Office with the United Nations

United Nations Educational, Scientific and Cultural Organization:

Mr. René Maheu, Representative of UNESCO to the United Nations
Mr. Arthur H. Gagliotti, Assistant Representative of UNESCO to the United Nations

World Health Organization:

Mr. Milton P. Siegel, Assistant Director-General, Department of Administration and Finance
Dr. R.L. Coigney, Director, WHO Liaison Office with the United Nations

International Bank for Reconstruction and Development:

Mr. Richard H. Demuth, Director, Technical Assistance and Liaison
Mr. Enrique Lopez-Herrarte, Liaison Officer with the United Nations

International Monetary Fund:

Mr. Gordon Williams, Assistant to the Managing-Director and Special Representative to the United Nations

International Civil Aviation Organization:

Mr. E.R. Marlin, Director, Technical Assistance Bureau

International Telecommunication Union:

Mr. Gerald C. Gross, Assistant Secretary-General of the ITU

World Meteorological Organization:

Dr. H. Sebastian, Chief, Technical Assistance Unit of WMO

International Atomic Energy Agency:

Mr. Andrey I. Galagan, Representative of the IAEA at the United Nations

Mr. Alwyn V. Freeman, Deputy Representative of the IAEA at the United Nations
United Nations

9. The Committee held one public meeting^{2/} and nineteen closed meetings.^{3/} In addition, meetings were held by a Working Group which elected Mr. M. Gopala Menon (India) as Chairman and H.E. Sr. José Serrano (Chile) and Mr. Janvid Flere (Yugoslavia) as Vice-Chairmen.

^{2/} Summary Record A/AC.93/SR.1.

^{3/} The minutes of these closed meetings are contained in documents A/AC.93/SR.2-20 which the Committee decided at the end of its session to de-restrict.

Adoption of the Report and Recommendations

10. The present report and recommendations were adopted on 15 April 1958.^{4/}
11. In transmitting its report and recommendations to the Economic and Social Council, the Preparatory Committee wishes to express its appreciation of the competent and devoted assistance it has received throughout its work from the Rapporteur and the Secretariat.

4/ The following statement was submitted by the representative of the Union of Soviet Socialist Republics:

"In the drafting of the recommendations in the Committee's report in connexion with paragraphs 4 (a), (b) and (c) of General Assembly resolution 1219 (XII), the representative of the USSR upheld the fundamental principles which, in his opinion, should serve as the basis for the organization of the Special Fund. This Fund should form the nucleus of a United Nations fund for the financing of economic development. Among these fundamental principles are the following: all countries wishing to participate in the Fund should be free to do so; contributions to the Fund should be voluntary and should be payable in the national currency or in kind; loans should be granted on advantageous conditions as a form of assistance from the Fund to under-developed countries in the development of their national economies and in particular of their industries; the Fund should be an independent organ of the United Nations and not subordinate to the International Bank for Reconstruction and Development, and private commercial and financial interests should be excluded from its activities. He further referred to the views expressed in the reply of the USSR (A/AC.83/L.1/Add.19) to the questionnaire of the Secretary-General of the United Nations in connexion with General Assembly resolution 923 (X), and also to the stand taken by the Soviet delegation at the time of the adoption of Economic and Social Council resolution 662 B (XXIV) and General Assembly resolution 1219 (XII).

In this connexion he stated his position regarding the various points in the recommendations included in the Committee's report.

The representative of the USSR also stated that the recommendations in the report did not take account of the tasks of the United Nations Special Fund with regard to promoting the development of industry and other branches of the national economy through the financing of capital construction, that without justification they encroached upon the field of activity, organizational structure and financial resources of the Expanded Programme of Technical Assistance, and that, in his view, they did not bring nearer the possibility of establishing SUNFED as a body which would more closely meet the need for the financing of economic development in the under-developed countries."

II. REPORT

12. The Preparatory Committee had before it the following views and suggestions submitted in accordance with General Assembly resolution 1219 (XII):

(a) the views and suggestions of the Governments of Austria, the Dominican Republic, Finland, Jordan, Morocco, the Netherlands, Turkey,^{5/} China, Israel,^{6/} Cambodia, Norway,^{7/} the Byelorussian Soviet Socialist Republic, Spain,^{8/} Panama, Sweden,^{9/} Ceylon, El Salvador, Switzerland, Poland,^{10/} New Zealand,^{11/} the Republic of Korea, Portugal,^{12/} and the Philippines.^{13/} In addition, the statements made in the Preparatory Committee during the general debate by the representatives of Chile, France, Ghana, India, Mexico, Peru, the United Arab Republic and Yugoslavia were published, at the request of those representatives, as the views and suggestions of their respective Governments in pursuance of General Assembly resolution 1219 (XII);^{14/}

(b) the views and suggestions of the Secretary-General of the United Nations,^{15/} and of the Executive Chairman of the Technical Assistance Board;^{16/}

^{5/} Distributed as A/AC.93/L.8.

^{6/} A/AC.93/L.8/Add.1.

^{7/} A/AC.93/L.8/Add.2.

^{8/} A/AC.93/L.8/Add.3.

^{9/} A/AC.93/L.8/Add.12.

^{10/} A/AC.93/L.8/Add.13.

^{11/} A/AC.93/L.8/Add.14.

^{12/} A/AC.93/L.8/Add.15.

^{13/} A/AC.93/L.8/Add.16.

^{14/} A/AC.93/L.8/Add.4 to Add.11.

^{15/} A/AC.93/L.2.

^{16/} A/AC.93/L.10 and Corr.1.

(c) the views and suggestions of the Director-General of the International Labour Office,^{17/} the Director-General of the Food and Agriculture Organization,^{18/} the Director-General of the United Nations Educational, Scientific and Cultural Organization,^{19/} the Director-General of the World Health Organization,^{20/} the Secretary-General of the International Civil Aviation Organization,^{21/} the Secretary-General of the International Telecommunication Union^{22/} and the Secretary-General of the World Meteorological Organization;^{23/}

(d) the views and suggestions of the Director-General of the International Atomic Energy Agency.^{24/}

13. After a general exchange of views, the Preparatory Committee decided to take as a point of departure for its discussions the views and suggestions presented by the Secretary-General of the United Nations in document A/AC.93/L.2 and a number of analytical working papers prepared by the Secretariat at the request of the Committee.

14. The results of the Committee's work in connexion with the tasks defined in Section II, paragraphs 4 (a), (b) and (c) of General Assembly resolution 1219 (XII) are embodied in the present report and recommendations which the Committee has the honour to submit to the Economic and Social Council for its consideration. The Committee deemed it useful to present its recommendations in a form which would facilitate their inclusion in a draft resolution (see section III below).

A. Basic fields of assistance and types of projects

15. Most of the material before the Committee relating to basic fields of assistance and the types of projects which should be eligible for assistance by the Special Fund dealt with the distinguishing features of the new Special Fund

^{17/} A/AC.93/L.11.

^{18/} A/AC.93/L.5.

^{19/} A/AC.93/L.4.

^{20/} A/AC.93/L.7.

^{21/} A/AC.93/L.6.

^{22/} A/AC.93/L.3.

^{23/} A/AC.93/L.9 and Corr.1.

^{24/} A/AC.93/L.12.

and the principles and criteria which should serve as a guide in establishing programmes of operation. The Committee agreed that a set of guiding principles and criteria should be included in its recommendations. These are set forth in paragraphs (2) to (4) of the Committee's recommendations below and are preceded in paragraph (1) by a general statement on the Special Fund's objectives as laid down in General Assembly resolution 1219 (XII).

16. The basic fields of assistance are set forth in paragraph (5) of the Committee's recommendations.

17. Regarding the types of projects, the Preparatory Committee has included recommendations concerning the forms in which assistance by the Special Fund would be rendered (paragraph (6)). Examples of types of projects, on the other hand, scarcely lend themselves to inclusion in a legal text. The Committee has therefore decided to append to its report (Annex 1) an illustrative list of types of projects based on the replies of Governments, on the views of the Secretary-General of the United Nations, the Executive Chairman of the Technical Assistance Board, the executive heads of the specialized agencies and the International Atomic Energy Agency, and on the statements and suggestions of the Governments represented in the Preparatory Committee. The Committee wishes to stress that this list is purely illustrative and that it is in no way intended to limit or determine the operations of the Special Fund.

B. Administrative and operational machinery of the Special Fund

18. The recommendations of the Preparatory Committee regarding the administrative and operational machinery of the Special Fund are embodied in paragraphs (8) to (31). In addition to recommendations regarding the organs of the Special Fund (Governing Council, Managing Director and staff, Consultative Board) the Committee has made specific recommendations on the role of the Economic and Social Council and of the General Assembly in the guidance and review of the Special Fund's operations (paragraphs (8) to (11)). Also, in paragraphs (32) to (45) it has set forth recommendations regarding procedures - in particular the sources and formulation of requests, their evaluation and approval, and the execution of projects.

19. The suggestion was made that arrangements might be explored for obtaining an allocation from the regular budget of the United Nations to cover the administrative budget of the Special Fund or for financing this budget on the same basis of assessments as exist for the regular budget of the United Nations.

C. Extent of willingness of Governments to contribute to the Special Fund

20. A total of twenty-six Governments referred to the question of contributions in their replies or in statements made at the meetings of the Preparatory Committee. Only three Governments gave precise indications of the extent of their possible contributions. The Government of the Netherlands stated in its reply that it was provisionally considering a contribution to the Special Fund which would have the same ratio to the target figure of the Special Fund as the present Netherlands contribution to the Expanded Programme of Technical Assistance had to the total of the contributions to that Programme. This means, according to the Netherlands Government, that its contribution to a fund of \$100 million would be approximately 3.3 times the present Netherlands contribution of \$1,092,500 to the Expanded Programme; a final decision, subject to parliamentary approval, would be taken after the establishment of the Special Fund. The Government of Turkey stated in its reply that its contribution to the Special Fund percentage-wise should not be over the percentage represented by her present \$210,000 share to the existing technical assistance programme, compared to the total contributions made by all the participants to the programme, and that this share would be paid in Turkish currency. This will be subject to the approval of the Turkish Grand National Assembly.

21. The representative of the United States, in a statement made at the third meeting of the Preparatory Committee, observed that General Assembly resolution 1219 (XII) spoke of the possibility of having available for total United Nations technical assistance activities the sum of \$100 million and that this was the target figure his Government had utilized in taking steps to assure that it would be in a position to contribute its share of this intensified effort to spur economic development. He indicated that the United States Government had therefore requested Congress for an authorization of \$38 million as its contribution towards a combined 1959 programme of \$100 million, such

contribution being subject to Congressional approval and to the percentage limitation provided for by United States law.

22. Other Governments stated that they could be in a position to offer firm and tangible support, provided that the Preparatory Committee agreed on the way in which the programme would develop, and provided that the organizational arrangements would lead to sound and carefully executed projects;^{25/} that at present they were not in a position to indicate their contribution to the Special Fund and that consideration was being given or would be given at the appropriate time to this matter;^{26/} that they could not make any appreciable contribution or could consider only a token contribution or a contribution of their share of local costs.^{27/} Six Governments stated that they would be unable to contribute at present owing to financial or balance of payments difficulties or the need for assistance.^{28/}

23. The Preparatory Committee concluded that in view of the information before it and the time at its disposal, it could not carry out the provision of part II, paragraph 4 (c) of resolution 1219 (XII). The Preparatory Committee therefore decided to request the Secretary-General to transmit the Committee's report to States Members of the United Nations or members of the specialized agencies or of the International Atomic Energy Agency and to invite Governments to provide information of as precise a nature as possible concerning the extent to which they would be willing to contribute to the Special Fund described in the present report. The Committee also decided to request the Secretary-General to bring to the attention of Governments the desirability of making the highest possible contributions and ask them to take into account for their contribution for the year 1959 the amount of \$100 million mentioned in resolution 1219 (XII). The Committee hopes that for the year 1959 an amount of at least \$100 million will be available for the operations envisaged in resolution 1219 (XII). The

^{25/} Canada (statement at the third meeting of the Preparatory Committee).

^{26/} China, the Dominican Republic, France, Israel, Ghana, Japan, Mexico, Morocco, Norway, Poland, Sweden, Switzerland and Yugoslavia.

^{27/} Cambodia, Ceylon and the Philippines.

^{28/} Austria, Finland, Jordan, the Republic of Korea, New Zealand and Portugal.

Preparatory Committee further requested the Secretary-General to inform the Economic and Social Council at its twenty-sixth session and the General Assembly at its thirteenth session of the replies received to this new inquiry.

24. The Preparatory Committee agreed to suggest that the Special Fund study methods of encouraging donations from non-governmental sources.

D. Questions concerning changes in the present legislation and procedures of the Expanded Programme of Technical Assistance

25. The Committee considered three specific points bearing on the future relation between the Special Fund and the Expanded Programme, which might require changes in the present legislation and procedures of the Expanded Programme.

26. The Preparatory Committee considered in particular that in view of the necessity of ensuring the fullest degree of co-ordination between the two operations, the Managing Director should be associated as fully as possible in the deliberations of the Technical Assistance Board. This might be achieved by the adoption by the Economic and Social Council, at its session immediately following the establishment of the Special Fund by the General Assembly, of a resolution drafted along the following lines:

The Economic and Social Council,

Considering resolution () of the General Assembly establishing the Special Fund,

Considering that it is important that the fullest degree of co-ordination should be maintained between the operations of the Special Fund and those of the Expanded Programme of Technical Assistance,

Resolves that the Managing Director of the Special Fund or his representative shall be entitled to attend the meetings of the Technical Assistance Board and to participate without vote in the Board's deliberations.

27. In paragraph (54) of its recommendations, the Committee proposes that ".....appropriate provision shall be made.....for an exchange of currencies between the Special Fund and the Special Account for the Expanded Programme of Technical Assistance". Having regard to this recommendation, and existing legislation and practice, the Committee believes that no change would be required

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in the resolutions governing the Expanded Programme in order to permit such exchange of currencies, which in each case would be subject to appropriate arrangements between the Secretary-General, the Managing Director of the Special Fund and the Executive Chairman of the Technical Assistance Board.

28. Paragraph (29) of the Committee's recommendations provides for the Managing Director and the Executive Chairman to enter into an agreement concerning the role of the resident representatives in the work of the Special Fund. The Committee believes that no change would be required, in the resolutions governing the Expanded Programme, to permit the Executive Chairman to enter into such an agreement.

29. While, in the initial period of the Special Fund's operations, no further changes appear to be necessary in the legislation or procedures of the Expanded Technical Assistance Programme, to permit the fullest co-operation, the Committee believes that changes in both the legislation and procedures of the Expanded Programme may be required as arrangements for co-operation between the two programmes are further developed. The Committee suggests that the Technical Assistance Committee should authorize the Executive Chairman and the Technical Assistance Board to keep these questions under review and to make to the competent organs whatever recommendations may seem desirable.

III. RECOMMENDATIONS FOR INCLUSION IN A DRAFT RESOLUTION

I. Guiding Principles and Criteria

(1) Pursuant to the provisions of General Assembly resolution 1219 (XII) and pending a possible review by the General Assembly of the scope and future activities of the Special Fund, as envisaged in part 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 available at this time, which are not likely to exceed \$100 million annually", direct its operations "towards enlarging 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 development" 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^{1/} 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 development of the country or countries concerned, in particular by facilitating new capital investment;

^{1/} See paragraphs (8) to (26) below.

- (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 responsibilities of the Special Fund to assisted countries 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 Projects

- (5) The Special Fund shall 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, 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 Special Fund might be in one or a combination of the following forms: surveys, research and training, demonstration, including 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 Special 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.
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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 International 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 administered under the authority of the Economic and Social Council and of the General Assembly which will exercise in respect of the Special 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 Special 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) With a view to facilitating the effective discharge of these responsibilities, it is recommended that the Economic and Social Council 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.

(11) 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

(12) The immediate 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.

(13) The Governing Council shall provide general policy guidance on the administration and operations of the Special Fund. It shall have final authority

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for the approval of the projects and programmes recommended by the Managing Director. It shall review the administration and the execution of the Special 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 1219 (XII).

(14) 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.

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

(16) 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.

(17) 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.

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

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

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

(21) 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.

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Managing Director.

(22) 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 Special Fund, with sole authority to recommend to the Governing Council projects submitted by Governments.

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

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

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

(26) 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 Special Fund.

Consultative Board

(27) 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.

(28) The Managing Director of the Special Fund 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 falling mainly within their fields of activity are considered.

(29) 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 Special Fund.

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Staff

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

(31) 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 required, engage expert consultants.

V. Procedures

A. Sources and formulation of requests

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

(33) 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.

(34) The Special Fund shall utilize only the official channel designated by each Government for the submission of requests.

B. Evaluation and approval of requests

(35) 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 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.

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(36) 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 established under paragraph (27) above.

(37) 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.

(38) 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 execution of the project.

(39) The Governing Council shall take a final decision on the projects and programmes recommended by the Managing Director and authorize him to conclude the appropriate agreements.

C. Execution of projects

(40) 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 (35) in fine.

(41) 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 it will provide.

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

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(43) The Managing Director shall make appropriate arrangements to follow the execution of projects.

(44) The Managing Director shall report to the Governing Council on the status of projects and the financial position of the projects and programmes.

(45) 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

(46) 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 Special 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 Special Fund's projects, that contributions be pledged or indicated, whenever possible, for a number of years.

(47) 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.

(48) Contributions shall be made by Governments in currency readily usable by the Special Fund consistent with the need for efficiency and economy of the Special Fund's operations, or shall be transferable to the greatest possible extent into currency readily usable by the Special 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 Special 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.

(49) 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 Special 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 Special Fund's operations. Any action in this respect shall be subject to review by the Economic and Social Council and the General Assembly.

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

(51) 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.

(52) 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.

(53) 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.

(54) 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 Special 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 Special 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 Special 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.

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(55) 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.

(56) 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 recommendation of the Managing Director.

(57) 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 Special Fund.

ANNEX 1

Illustrative list of types of projects

The following list of types of projects is based on the replies of Governments, on the views of the Secretary-General of the United Nations, the Executive Chairman of the Technical Assistance Board and the executive heads of the specialized agencies and the International Atomic Energy Agency in response to General Assembly resolution 1219 (XII), and on the statements and suggestions of representatives of the member Governments of the Preparatory Committee. The list is by no means exhaustive and should be considered only as illustrative. It is in no way intended to limit or determine the operations of the Special Fund. The order in which projects are listed is not intended to suggest any priorities. Moreover, it may well be that many projects will combine several of the elements enumerated below; for example, demonstration centres may be operated in conjunction with other training and research facilities.

I. Resources

A. Economic surveys to determine the potentialities for economic development either in a country, a group of countries or a specific sector of an economy:

1. General surveys - to indicate areas for development and areas where more detailed surveys could usefully be conducted.
2. Integrated surveys, e.g. national and regional investigations of soil, hydrologic and other resources for multi-purpose development schemes, involving some of the specialized surveys outlined below.

B. Surveys of natural resources

1. Mineral, hydrologic, soil, forestry, marine and meteorological surveys; evaluation of potential sources for industrial raw materials, agricultural development, conventional and non-conventional power development, including development of nuclear power; including aerial photography, mapping, mineral and forestry explorations.

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2. Establishment of institutes, regional or national, to conduct the above surveys so far as required on a continuing basis, including research into area problems such as arid zones and resources of the sea.

C. Human resources

1. General surveys relating to the mobilization of human resources and social aspects of development.
2. Assessment of manpower resources and potential labour supply, especially from surplus agricultural populations; surveys of composition and distribution of population, including internal migration, family patterns and community organization, urbanization.
3. Establishment of institutes, regional or national, to conduct the above surveys so far as required on a continuing basis.
4. Demonstration projects, such as experimental community development schemes.

II. Industry

- A. Industrial resource development (see also I above). Research institutes for investigation into technological problems connected with the development of indigenous raw materials, such as industrial use of minerals and timber, use of local sands for glass and cement; including research into marketing problems.
- B. Programmes for vocational and supervisory training, management training and advanced technological instruction, including institutes, apprenticeship and other forms of in-plant training, the establishment of centres for dissemination of technical information.
- C. Pilot and demonstration projects in connexion with commercial development of indigenous raw materials; e.g. experimental plants for processing of agricultural and forestry products and other raw materials; demonstration centres for cottage, handicraft and small industry development; experimental power units.

- D. Productivity institutes, to provide general and specialized assistance to industry and agriculture in improving efficiency of production.
- E. Technological institutes, national or regional, for training technicians and developing techniques, including methods of producing equipment and examining possibilities of adapting equipment in various fields such as electronics and chemistry.
- F. Institutes for promoting the use of radioisotopes, development of nuclear energy, or dissemination of nuclear technology in general, including training and dissemination of information on health and safety or waste disposal.

III. Agriculture and other renewable resources

- A. Agricultural resource development (see also I above). Research institutes for investigations into problems connected with the development of indigenous agricultural or other renewable resources, such as improvement of seeds and fertilizers to meet local soil conditions, selective livestock breeding; including research into marketing problems.
- B. Training institutes for improving farming, fishing and forestry techniques, including establishment of demonstration farms and assistance to the organization of co-operatives; specialized training centres for agronomists, foresters, agricultural economists; provision for dissemination of technical and scientific documentation.
- C. Pilot schemes and demonstration centres for irrigation, drainage, polders, agrometeorology, and land use and conservation; including experimental work with mechanized fishing vessels.

IV. Transport and communications

- A. Surveys of transport and communications requirements.
- B. Pilot and demonstration projects in civil aviation safety services, complex telecommunications systems.
- C. Training institutes for personnel in such fields as telecommunications, civil aviation, highway maintenance and administration.

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V. Building and housing

- A. Surveys of housing and other building requirements.
- B. Research institutes for the study of technological problems in connexion with construction methods, for example the use of local raw materials, experimental designs for tropical regions, problems connected with prefabrication.

VI. Health

- A. Surveys of health problems such as urban water supply and environmental sanitation.
- B. Training institutes for personnel in fields such as sanitary engineering and public health administration.
- C. Health demonstration and pilot projects directly related to economic and social development, including the provision of equipment and supplies.

VII. Education

- A. Surveys of general and technical education needs.
- B. Training institutes for personnel in mass education, medium and high level technical education.
- C. Equipment and supplies for libraries, technical documentation centres.

VIII. Statistics

Establishment of statistics and survey research institutes to train administrative and technical personnel in handling data required for policy formulation and in applying suitable methodology for developing such data, including particularly survey and research methods adapted to evaluating material and human resources required for economic and social development, compiling and analysing information, organizing needed surveys and providing advice and assistance in the conduct of surveys and research.

IX. Public administration

Training centres for personnel in various aspects of public administration, such as finance and fiscal administration, administration of public enterprises.

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ANNEX 2

Text of General Assembly resolution 1219 (XII)

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 resolutions on the establishment of an international fund for economic development within the framework of the United Nations and, in particular, reaffirming its unanimously adopted resolutions 724 A (VIII) and 724 B (VIII) of 7 December 1953,

Noting the recommendation of the Economic and Social Council in its resolution 662 B (XXIV) of 31 July 1957,

Recognizing that the United Nations Expanded Programme of Technical Assistance is of proven effectiveness in promoting the economic development of the less developed countries,

Recognizing however that neither the Expanded Programme nor other existing programmes of the United Nations or the specialized agencies can now meet certain urgent needs which, if met, would advance the processes of technical, economic and social development of the less developed countries, and, in particular, would facilitate new capital investments of all types -- private and public, national and international -- by creating conditions which would make such investments either feasible or more effective,

Convinced that a rapidly achieved enlargement in the financial resources and scope of technical assistance rendered by the United Nations and the specialized agencies to the less developed countries would constitute a constructive advance in United Nations assistance and would be of immediate significance in accelerating their economic development,

/...

Recognizing that, while long-term pledges are desirable, some Governments are unable to make financial commitments except with the approval of their legislatures and on an annual basis,

I

Commends the Ad Hoc Committee on the Question of the Establishment of a Special United Nations Fund for Economic Development for the work embodied in its final^{1/} and supplementary^{2/} reports prepared in accordance with General Assembly resolutions 923 (X) of 9 December 1955 and 1030 (XI) of 26 February 1957;

II

1. Decides that, subject to the conditions prescribed hereunder, there shall be established as an expansion of the existing technical assistance and development activities of the United Nations and the specialized agencies a separate Special Fund which would provide systematic and sustained assistance in fields essential to the integrated technical, economic and social development of the less developed countries,

2. Decides further that, in view of the resources prospectively available at this time, which are not likely to exceed \$100 million annually, the operations of the Special Fund shall be directed towards enlarging the scope of the United Nations programmes of technical assistance so as to include special projects in certain basic fields to be defined by the Preparatory Committee provided for in paragraph 4 below, for example, intensive surveys of water, mineral and potential power resources, the establishment -- including staffing and equipping -- of training institutes in public administration, statistics and technology, and of agricultural and industrial research and productivity centres;

3. Considers that while, without impairing the separate identity of the Special Fund, the fullest possible use should be made of the existing machinery of the United Nations, the specialized agencies -- including the existing international financial institutions -- and the Expanded Programme of Technical

^{1/} A/3579 - E/2961.

^{2/} A/3580 - E/2999.

Assistance, the Special Fund will require some new administrative and operational machinery;

4. Decides to establish a Preparatory Committee composed of representatives of sixteen Governments to do the following, taking into account the principles set out in the annex to the present resolution and the views and suggestions forwarded by Governments pursuant to paragraph 7 below:

(a) Define the basic fields of assistance which the Special Fund should encompass and, within these fields, the types of projects which should be eligible for assistance;

(b) Define in the light of paragraph 3 above the administrative and operational machinery to be recommended for the Special Fund, including such changes as may be required in the present legislation and procedures of the Expanded Programme of Technical Assistance;

(c) Ascertain the extent to which Governments would be willing to contribute to the Special Fund;

5. Invites the President of the General Assembly to appoint the members of the Preparatory Committee;

6. Invites the Secretary-General to provide the Preparatory Committee with all the necessary facilities, including the provision of such expert consultants as might be required;

7. Requests Governments to assist the Preparatory Committee in its work by forwarding their views and suggestions to the Committee through the Secretary-General and, in particular, by indicating the extent to which they would be willing to contribute to the Special Fund;

8. Invites the Secretary-General, the executive heads of the specialized agencies and the Executive Chairman of the Technical Assistance Board to forward their views and suggestions to the Preparatory Committee;

9. Requests the Preparatory Committee to submit the results of its work in the form of a report and recommendations to the Economic and Social Council, at its twenty-sixth session;

10. Requests the Economic and Social Council to transmit the Preparatory Committee's report, together with its own comments, to the General Assembly, at its thirteenth session, for final action;

11. Looks forward to the establishment of the Special Fund as of 1 January 1959;

12. Appeals to all States Members of the United Nations, in a spirit of co-operation and solidarity, to give the greatest possible assistance to the Special Fund;

III

Decides that as and when the resources prospectively available are considered by the General Assembly to be sufficient to enter into the field of capital development, principally the development of the economic and social infrastructure of the less developed countries, the Assembly shall review the scope and future activities of the Special Fund and take such action as it may deem appropriate.

730th plenary meeting 14 December 1957

ANNEX

1. The Special Fund shall be a multilateral fund of the United Nations, with financial resources principally derived from voluntary annual contributions of Governments and others in or transferable into currency usable by the Fund and, as much as possible, pledged or indicated for a number of years.

2. Assistance from the Special Fund shall be given only to projects which would make a contribution to the economic development of the requesting country or countries. The operations of the Fund shall be in conformity with the principles of the Charter of the United Nations and shall not be influenced by political considerations.

3. The Special Fund shall be administered by a chief executive officer under policies established by an executive body in accordance with such rules and principles as may be laid down by the General Assembly and the Economic and Social Council. The membership of the executive body shall be equally distributed between two groups, one consisting mainly of major contributing countries and the other consisting mainly of less developed countries. Each member of the executive body shall have one vote. Decisions of the executive body on questions of policy, including the allocation of funds, shall require a qualified majority vote.



CHAMBRE DE COMMERCE INTERNATIONALE
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38, COURS ALBERT 1^{er} - PARIS VIII^e



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COMMISSION ON FOREIGN INVESTMENTS AND ECONOMIC DEVELOPMENT

Meeting on 10th and 11th July 1958

FOR INFORMATION

SPECIAL FUND OF THE UNITED NATIONS

(Item V of the Provisional Agenda)
- see Document No. 111/71 -

Report

of the Meeting of the Preparatory Committee for the Special Fund
(11th March - 15th April 1958)

Under the Chairmanship of Ambassador Mohammad MIR KHAN (Pakistan), the Preparatory Committee for the Special Fund held 20 meetings, all of which were closed except for the opening meeting. This Committee was established under the terms of a 1957 General Assembly Resolution for the following purposes : 1. to define the basic fields of assistance which the Special Fund should cover, and, within these fields, the types of projects which should be eligible for assistance; 2. to define the administrative and operational machinery to be recommended for the Special Fund, including such changes as may be needed in the present legislation and procedures of the Expanded Programme of Technical Assistance (EPTA); and 3. to ascertain the extent to which Governments would be willing to contribute to the Special Fund.

Represented on this Committee were 16 Governments (Canada, Chile, Denmark, France, Ghana, India, Japan, Mexico, Netherlands, Pakistan, Peru, USSR, United Arab Republic, United Kingdom, United States and Yugoslavia. Representatives from the following Agencies were present : ILO, FAO, UNESCO, WHO, IBRD, IMF, ICAO, ITU, WMO and IAEA. The UN Secretariat was represented by the Deputy Under-Secretary for Economic and Social Affairs, the Director of the Bureau of Economic Affairs; the Director-General of TAA, and the Executive Chairman of TAB.

A working group of 10 countries held a number of private meetings to reach agreement on the most complex issues. This group was chaired by Mr. Gopala MENON (India) and the countries participating were : Canada, Chile, France, Ghana, India, Japan, Netherlands, United States, United Arab Republic (UAR) and Yugoslavia.

Critical Issues Involved

1. Basic fields of assistance and types of projects

The Committee agreed that a set of guiding principles and criteria should be included in its recommendations. The Fund should concentrate on relatively large projects in the fields of resources, including manpower, industry, agriculture, transport, statistics, etc.. These projects could take the form of surveys, research and training, pilot projects, etc.. The Committee felt that examples of types of projects scarcely lent themselves to including in a legal text, and it was thus decided to append in an Annex to the Report an illustrative list of such projects which were in no way intended to limit or determine the Fund's operations.

.....

The Special Fund should be a separate entity, with consideration given : to the urgency of the needs of the requesting countries; to facilitating new capital investment; and to extending projects beyond one year and covering more than one country if necessary.

The Fund should not be a mere expansion of the EPTA. There was general agreement that the Special Fund and the EPTA were closely related and should be mutually supporting. In this connexion three specific issues were considered : a) that appropriate provision be made for an exchange of currencies between the EPTA and the Special Fund; b) there should be a provision for the Managing Director of the Special Fund and the Executive Chairman of TAB to enter into an agreement regarding the role of the resident representatives in the work of the Fund; and c) the Fund's Director should attend meetings of TAB. On the latter point, a draft resolution was submitted for the consideration of that session of ECOSOC which would meet after the Fund was established. The draft proposal suggested that the Managing Director of the Special Fund be entitled to attend meetings of TAB, in order to ensure fullest co-ordination between the two operations. The Committee felt that while in the initial period of the Fund's operations, no further legislative or procedural changes in the EPTA appeared necessary, such changes may be required as arrangements for cooperation between the two programs are further developed.

2. Administrative and Operational Machinery and Procedures

The suggestion was made that arrangements might be explored for obtaining an allocation from the regular UN budget to cover the administrative budget of the Fund or for financing this budget on the same basis of assessments as exist for the regular UN budget. Projects shall be undertaken only at the request of a Government or Governments eligible to participate in the Fund, and projects shall be executed wherever possible by the UN. Financial resources shall be from voluntary contributions by Governments growing out of an annual pledging conference.

The USSR favoured loans, while the US preferred grants-in-aid as the better financing procedure. A compromise formulation was worked out "authorizing the Governing Council to consider allocating part of the resources of the Fund for assistance on a refundable basis at the request of Governments for projects, within the terms of reference of the Special Fund."

Opinion was divided regarding the UN organ which should elect the members of the Governing Council. The underdeveloped countries were strongly in favour of the General Assembly as the elective organ, while countries like France, UK and US were equally firm that ECOSOC should elect the members of the Governing Council. Other members saw advantages on both sides. There was also considerable debate regarding the Managing Director's staff. An Indian proposal amended by the Netherlands was finally adopted which stated that the staff should be selected by or in consultation with the Managing Director on the basis of their special competence. With respect to the establishing of a Consultative Board, there was also disagreement. Countries like Ghana, India, Mexico, UAR, USSR and Yugoslavia felt such a Board was not necessary, while Canada, France, Netherlands, UK and US favoured its establishment.

In a roll call vote on 14 April it was finally decided that the members of the Governing Council should be elected by ECOSOC, rather than the General Assembly. Those in favour of ECOSOC were 8 (Canada, Denmark, France, Japan, Netherlands, Pakistan, UK, US), while 6 were opposed (India, Ghana, Yugoslavia, UAR, USSR, Peru) and 2 countries abstained (Chile, Mexico).

Thus three main organs were established, subject to final ECOSOC and General Assembly approval :

a) Governing Council consisting of 18 countries to be elected by ECOSOC for a term of 3 years, subject to re-election. This Council shall provide general policy guidance and exercise immediate governmental control of the policies and operations of the Special Fund. This Council shall normally meet twice yearly. Decisions on important questions like policy, allocation of funds and approval of projects will be made by a 2/3rds majority vote.

.....

b) Consultative Board will be composed of 3 persons : the UN Secretary-General; the Executive Chairman of TAB; and the President of the IBRD. It will advise the Managing Director.

c) Managing Director and his Small Staff shall have overall responsibility for the operations of the Special Fund. The Managing Director shall be appointed by the Secretary-General of the UN, after consultation with the Governing Council, and subject to confirmation by the General Assembly of the UN. His term of office shall be 4 years, with eligibility for re-appointment.

3. Contributions

Only 26 Governments replied to this question, and of these replies only three : the Netherlands, Turkey and the US, gave precise indications of the extent of their possible contributions to the Special Fund. The Netherlands indicated it was provisionally considering a contribution of approximately \$ 3.6 millions, but a final decision would be subject to parliamentary approval, after the Fund was established. Turkey stated that its contribution percentage-wise would not be over the percentage represented by her present EPTA share of \$ 210,000, subject to approval by the Turkish Grand National Assembly. The US spoke of making available \$ 38 millions in 1959 for the Special Fund, which was the figure requested from the US Congress.

Canada stated it would be in a position to offer tangible support, provided the Committee agreed on the way in which the program would develop, and provided that the organisational arrangements would lead to sound and carefully executed projects. China, Dominican Republic, France, Israel, Ghana, Japan, Mexico, Morocco, Norway, Poland, Sweden, Switzerland and Yugoslavia felt they were not in a position to indicate their contributions at present, but that consideration would be given at the appropriate time. Cambo-dia, Ceylon and the Philippines said they could only consider a token contribution. Austria, Finland, Jordan, Republic of Korea, New Zealand and Portugal stated they would be unable to contribute at present.

In view of this information, the Committee concluded it could not carry out this part of its mandate and decided to request the UN Secretary-General to transmit its report to States Members of the UN or members of its Specialized Agencies or of the IAEA, and to invite Governments to provide as precise information as possible as to the extent of their willingness to make contributions. The Committee also decided to request the Secretary-General to bring to the attention of Governments the desirability of making the highest possible contributions. The hope was expressed that for 1959 an amount of at least \$ 100 millions would be available for the Fund's operations. The Committee suggested that the Special Fund study methods of encouraging donations from non-governmental sources, such as foundations.

Adoption of Report and Recommendations

The Committee felt it would be useful to present its recommendations in a form which would facilitate their inclusion in a draft resolution when ECOSOC considered the report in Geneva next month. The report with its recommendations was approved with one abstention (USSR) on 15th April.

The USSR Representative stated that the Special Fund should form the nucleus of a SUNFED. He pointed out that he had abstained because all countries wishing to participate in the Fund should be free to do so. Moreover contributions should be voluntary and payable in local currency or in kind; loans should be granted on advantageous terms as a form of assistance from the Fund to underdeveloped countries; the Fund should be an independent UN organ and not subordinate to the IBRD; and private interests should be excluded from the Fund's activities.

ICC Observer : Roberta M. LUSARDI (ICC's permanent representative at United Nations, New York).



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COMMISSION ON FOREIGN INVESTMENTS AND ECONOMIC DEVELOPMENT

Meeting on 10th and 11th July 1958

COMPARATIVE STUDY OF LAWS AND REGULATIONS
GOVERNING FOREIGN INVESTMENT IN UNDERDEVELOPED COUNTRIES

(Item II of the Agenda)

Proposals

submitted by the Japanese National Committee of the ICC

1. This proposition is, in our view, quite a pertinent one to take up. The annexed table has been prepared on the basis of data available in Japan, giving a description of the comparative study of the main points of treatment accorded to foreign investment in various underdeveloped countries. Of thirty-eight countries, eleven countries, including Japan, have special legislation governing foreign investment. A number of countries have clarified the treatment of foreign investment in the policy statements of the governments concerned. There exist great differences among the countries concerned in respect of (a) the specific fields of industry restricting the activity of foreign investment, (b) restriction of the amount of foreign investment (restriction of the proprietary interest of foreigners), (c) remittance of principal or interest, (d) restriction of employment, and (e) treatment of foreign investment in case of nationalization.
- 2.. Information needed by foreign investors is very comprehensive and detailed. It includes not only various legal provisions for the treatment of direct foreign investment, but also the provisions for taxes, general exchange restrictions, residence, etc. Hence, it is a very painstaking, difficult task to gather information in all these respects, and it is especially necessary to obtain the positive cooperation of the governments concerned and the assistance of IMF and various United Nations institutions. A considerable volume of data of this nature has been prepared so far. For example, there are IMF's survey on the exchange restrictions in force in various countries, the U.S. Department of Commerce's survey on various countries, ECAFE's and ECLA's data, etc. It is necessary and very beneficial for ICC to make a comprehensive study of a few selected countries with the cooperation of these institutions. In selecting such countries, it will be necessary to see that two or three countries represent each of the areas of Asia, the Middle and Near East, Africa, Central and South America, etc.; likewise, two or three countries should represent each of the currency areas, such as the sterling area, dollar area and other currency areas; consideration should be given so as to include countries with oil resources and countries without oil resources; and emphasis should be placed on the countries which have a comparatively big chance for the inflow of private foreign investment in the near future.
3. It is a matter of great significance to formulate the practical standards of conduct based on the ICC-sponsored general code, in accordance with the above-mentioned surveys. Especially in the case where there exists, according to the information revealed by surveys, a wide gap between the ICC-sponsored code and the policies of various countries, it is, in our views, essential to formulate practical standards.

Treatment accorded to foreign investments in selected countries

Country	(1) Laws or policy statements	(2) Restriction on fields of activity	(3) Restriction on foreign shares	(4) Profit or interest	(5) Remittance Principal	(6) Restriction on employment	(7) Regulation concerning nationalization	(8) Competent authorities	(9) Incentives for new industries
<u>Central and South America</u>									
Mexico	None	None	below 49% in case of broadcasting, transportation, fishery etc.	free	free	90% except for director & engineer	None	Ministry of Foreign Affairs	exemption from tax under New Essential Industry Promotion Law
Guatemala	None	Some	below 30% in case of beverage industry	free	free	90% except for director & engineer	None		Tax exemption for ten years under Industry promotion Law of 1947
Honduras	None	None		free	free				Tax exemption for 5 years
El Salvador	None		below 50% to receive the application of Industry Promotion Law	free	free	90% except for director & engineer	None		Exemption from import customs duty & other taxes
Nicaragua	Foreign Capital introduction Law of 1955	Almost none	None	free	free	75% except for director & engineer	None		Exemption from import duty on machinery for new industries
Costa Rica		None	In case of application of the same rate as at the time of investment of principal	10% in case of application of the same rate as at the time of investment of principal	permission is necessary only when official rate is applicable	90% except for director and engineer	None		
Panama	None	None	None	free	free	None	None		
Dominican Republic	None	None	None	free	free	70%	None		Tax exemption or reduction may be given to certain industries

	(1)	(2)	(3)	(4)	- 2 - (5)	(6)	(7)	(8)	Doc. 111/79 (9)	(E. only)
Cuba	law concerning tax exemption for foreign capital	None	None	free	free	50%	None			
Venezuela	None	None	None	free	free	75%	only when the non-official side wants to be nationalized			
Colombia	foreign capital introduction law of 1952	None	None	free	free	80% for direc- tor & engineer, 90% for others	compensation will be made for expropria- tion (constitution)	Supervisory Bureau for Stock company		
Peru	regulation for the establish- ment of corpor- ation by foreign capital	None	ships 35% petroleum 70% insurance 50%	free	free	80%				
Chile	Foreign capital introduction law of 1954	None except for government undertaking		free	after 5-year holding period 20% per year is remittable	85%	None	foreign capital committee	Tax exemption for 10-20 years, Import duty will be exempted in case of foreign investment in kind	
Bolivia	foreign capital introduction law	None	None	15% per year	20-30% per year		None	Finance Ministry		
Paraguay	foreign capital introduction law	None	None	20% per year	20% per year	None for first five years	None	Central Bank of Paraguay	20% income tax exemption and import duty for 5-10 years	
Brazil	SUMOC directive 113 and others	None	None			More than 2/3 (same with payment of wage)	None	Currency stabilization Committee		
Uruguay	None	None	None	free	free		None			
Argentina	Circular of Central Bank	None	None	free	after 10-year holding period 10-20%	None	None	Central Bank	Foreign Capital will be treated on same footing with domestic capital	

South East Asia

(1) (2) (3) (4) (5) (6) (7) (8)

Philippines	constitution	None except for public utilities	below 40%	1% per year	10% per year	60%	compensation will be made for revenue (constitution)	National Economic Council & Central Bk.	Tax exemption for new essential industries
Indonesia	government statement	None except for public utilities and traditional small enterprises	below 49% for key industries	subject to approval 36% per year is remittable	Subject to approval 5% per year is remittable	None	Consent is required in case of nationalization. Appropriate compensation will be made for expropriation	Foreign Capital Committee	Tax exemption will be considered
Viet-Nam	Government statement		subject to approval				compensation will be made for expropriation		
Cambodia	Foreign capital introduction law	Ban is placed on 18 industries	below 50%	Below 8%	after 4-year holding period below 6% per year is remittable	50%	compensation will be made for expropriation	Ministry of Economics & National Department Planning Council	treated in taxation on the same level as its own nationals
Laos	Government statement		below 49%	8-10% per year	10% per year	None		Exchange Bureau	treated in taxation on the same level as its own nationals
Thailand	Industry Promotion Law	Some industries will be placed under State management	below 49%	subject to approval	subject to approval	None	None	Industry Encouragement Committee	
Japan	Foreign Investment Law	Ban is placed on some industries	None	subject to approval	subject to approval	None	compensation will be made for expropriation	Finance Ministry & other competent authorities	
Malaya	None	subject to administrative guidance	subject to administrative guidance	subject to approval	subject to approval	subject to administrative guidance			

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
India	Government Statement	limitation on military and atomic power industry	below 40%	subject to approval	subject to approval	25% for high officials & engineer	nationalization for limited years	Ministry of Mining and Industry	
India	Government statement	limitation on military & atomic power industry	below 49%	subject to approval	subject to approval	some	nationalized industry will be decided in 1958	Ministry of Industry Ministry of Mining	
Colombia	Government statement		below 49%	subject to approval	subject to approval	50% for high officials & engineer 100% for others	compensation will be made for expropriation		
Taiwan	Ordinance for foreigner's investment	None unless otherwise stipulated	None	subject to approval below 15%	after 2-year holding period Subject to approval below 15% is remittable		not nationalized in case 50% or more of capital is foreign capital	Ministry of Economics	

Middle East and other areas

Afghanistan	Foreign capital introduction law		None	subject to approval	subject to approval			Foreign Capital Committee	Preference will be given to Industry, Mining, Public Utilities, Farming, Transportation in which foreign capital will be treated on the same footing with domestic capital.
Turkey	Foreign capital introduction promotion law	None for the industries for which monopoly is necessary	None	None	None		None	Ministry of Commerce	tax exemption and other privileges
Iran	Foreign capital introduction law	None	None	15% per year	20% per year	None	Appropriate compensation will be made for expropriation	Foreign Capital Committee	

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
Egypt	foreign capital law	None	None	10% per year	after 5-year holding period 20% per year	None	None	Foreign Capital Committee	
Greece	foreign capital law	None	None	12% per year	after 1-year holding period 10% per year	None	None	Ministry of Liaison & Coordination	foreign capital will be treated on the same footing with domestic capital
Nigeria	government statement	Some industries are designated	None	None	None				
Union of South Africa	government statement	subject to approval	subject to approval	free after approval	free after approval		None		

Source : Ministry of International Trade & Industry, Current Situation and Problems of International Economic Cooperation (in Japanese); 1958, PP. 153-156.

For Japan, Ministry of Finance, Guide to Laws Relevant to Foreign Investment in Japan, 1954.



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COMMISSION ON FOREIGN INVESTMENTS AND ECONOMIC DEVELOPMENT

Meeting on 10th-11th July 1958

FOR INFORMATION

Under ITEM I of the
PROVISIONAL AGENDA.

E x t r a c t

from the official Report of an address
given by Tunku Abdul Rahman Putra,
Prime Minister of the Federation of Malaya,
as President of the XIVth Session of the UN Economic Commission
for Asia and the Far East (ECAFE) at Kuala Lumpur in March 1958.

"He (Tunku Abdul Rahman) doubted, however, whether aid (governmental) would ever be sufficient to meet all needs. More consideration should therefore be given to promoting the flow of private capital to Asian countries. Many countries already attached importance to creating conditions which would attract such capital. It would be a powerful incentive to the investment of private capital in Asia if the countries of the region were to come together under the auspices of the United Nations organizations and draw up, in consultation with representatives of potential leader countries an international charter to regulate the treatment of that capital. The charter would have the object of safeguarding the legitimate rights and interests of foreign lenders; it might also indicate the part which the latter would be expected to play in promoting the development of both human and natural resources in the receiving country; and it would allay any fears that private foreign investment might interfere with that country's sovereignty and national interests".



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COMMISSION ON FOREIGN INVESTMENTS AND ECONOMIC DEVELOPMENT

Meeting on 10th-11th July 1958

FOR INFORMATION
Under ITEM I of the
PROVISIONAL AGENDA

INTERNATIONAL FLOW OF PRIVATE CAPITAL

FOR THE ECONOMIC DEVELOPMENT OF UNDERDEVELOPED COUNTRIES

Resolution

adopted by the General Assembly of the United Nations
on 11th December 1954

The General Assembly

Taking note of the reports on the international flow of private capital prepared by the Secretary-General pursuant to its resolution 622 C (VII) of 21st December 1952,

Recognizing that the international flow of private investment for productive activities contributes to the raising of living standards by assisting in the development of natural resources, the expansion and diversification of agricultural and industrial production, and the growth of technical skills,

Recognizing that the flow of private investment has not been commensurate with the needs in those areas where rapid development is essential for economic progress,

Recognizing that voluntary reinvestment in underdeveloped countries of profits and earnings of foreign capital not only reduces demand for foreign exchange, but also contributes directly to the expansion of economic activity and the increase in the national income of the country in which it takes place,

Recognizing that expanding international trade and continued progress towards wider convertibility of currencies will be conducive to a greater flow of such investment,

Recognizing the necessity for measures designed to remove the impediments to such a flow and to attract private investment.

1. Recommends continuing efforts by countries seeking to attract private foreign capital to :

a) Re-examine, wherever necessary, domestic policies, legislation and administrative practices with a view to improving the investment climate; avoid unduly burdensome taxation; avoid discrimination against foreign investments; facilitate the import by investors of capital goods, machinery and component materials needed for new investment, make adequate provision for the remission of earnings and repatriation of capital;

b) Develop domestic and foreign information services and other means for informing potential foreign investors of business opportunities in their countries and of the relevant laws and regulations governing foreign enterprise;

c) Consider supplementing their efforts to attract foreign private investment by including in their requests for technical advice and assistance from the United Nations and its specialized agencies as well as from the countries well advanced technically, such matters as :

.....

- (i) Economic surveys to determine the sectors most likely to be of interest to private investors and to identify specific opportunities within those sectors;
- (ii) The preparation of material regarding specific projects in a manner which will command the attention of private investors;
- (iii) The establishment of channels for the presentation of specific projects to potential investors in capital-exporting countries.

2. Recommends continuing efforts by countries able to export capital to

- a) Re-examine, wherever necessary, domestic policies, legislation and administrative practices with a view to encouraging the flow of private capital to capital-importing countries;
- b) Ensure to potential investors the availability of the fullest possible information on foreign investment opportunities and on the conditions and outlook for investment in individual foreign countries;
- c) Ensure to capital-importing countries (including firms and individuals therein) the availability of information on the investment desires of firms and individuals in the capital-exporting countries;
- d) Impress on investors the importance of endeavouring to secure local capital participation in their foreign enterprises whenever feasible and appropriate;
- e) Adopt, within the framework of their institutions, measures on taxation that will progressively reduce international double taxation with a view to its final elimination;

3. Recommends continuing efforts by the capital-exporting and capital-importing countries, where appropriate, to take such other steps as may be feasible and mutually acceptable to stimulate the flow of capital to underdeveloped countries and more especially to :

- a) Negotiate appropriate treaties, agreements, or other arrangements;
- b) Negotiate treaties on double taxation;
- c) Negotiate agreements, if consistent with national laws, providing for the insurability of certain non-business risks;

4. Recommends further that capital-importing and capital-exporting countries consider the desirability and feasibility of establishing investment corporations in individual countries designed to encourage the participation of private investors;

5. Declares that, in order for new foreign investments to be an effective contribution to the economic development of the underdeveloped countries, it is advisable to take into account, among other things, the situation with regard to previously established enterprises so as not to affect their normal development, provided that this is in harmony with the national interest;

6. Requests the Secretary-General to prepare annually a report on the international flow of private capital and its contribution to an expanding international economy, and on the measures taken by governments affecting such flow, or announced by them to be under consideration. In preparing the report account should be taken of the discussions on this subject in the Economic and Social Council and in the General Assembly and of the proposals made therein, and of suggestions which may be communicated by governments, by the International Bank for Reconstruction and Development and by the International Monetary Fund for promoting the international flow of private capital.



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COMMISSION ON FOREIGN INVESTMENTS AND ECONOMIC DEVELOPMENT

(Meeting on 10th-11th July 1958)

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SUMMARY RECORD

WBG ARCHIVES

The Commission on Foreign Investments and Economic Development of the International Chamber of Commerce met at International Headquarters, Paris, on 10th and 11th July 1958, under the chairmanship of Sir Jeremy RAISMAN (United Kingdom), assisted by Dr. h.c. Hermann J. ABS (Germany), George S. NEBOLSINE (U.S.A.) and S. VERNON SMITH (Australia), Vice-Chairmen, by Professor Pieter KUIN (Netherlands), Rapporteur, by Mr. Walter HILL, Secretary General of the ICC, and by Mr. Richard BARTON, Secretary of the Commission. The Chairman and Officers of the Commission met beforehand, in the morning of 10th July, for a preliminary discussion of the more important agenda items.

The International Bank for Reconstruction and Development (IBRD) and the International Finance Corporation (IFC) were represented at both meetings by Mr. Davidson SOMMERS and Mr. John Duncan MILLER.

Opening the meeting, the Chairman warmly welcomed the representatives of the IBRD and IFC and expressed the hope that there would be continuing close and fruitful collaboration between those two organizations and the ICC.

(A complete list of those present will be found at the end of this Summary Record.)

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Summary of Decisions

I. INTERNATIONAL AGREEMENT ON PRIVATE INVESTMENTS : FOLLOW-UP OF RESOLUTION No.3 OF THE NAPLES CONGRESS

The Commission adopted the recommendations submitted to it on this subject by the Chairman and Officers, as follows :

- a) Any direct approach by the ICC to the Economic and Social Council of the United Nations with a request for the convening of a conference such as that envisaged in the Naples Congress Resolution would be premature, particularly in view of the fact that the IBRD and IFC would not be prepared to sponsor such a conference.
- b) Every effort should however be made by the ICC to encourage the governments of the capital-importing countries, either individually or through regional bodies such as the Economic Commission for Asia and the Far-East (ECAFE), to take the initiative in proposing the elaboration of an international investments code. The joint meeting of the IMF and IBRD in New Delhi next October, which the Chairman of the Commission and the Secretary General of the ICC would be attending, might offer a useful opportunity of sounding out unofficially government opinion on this score.

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- c) Another constructive step toward the same general objective would be the adoption, by the European Economic Community of the Six and by the member countries of the proposed Free Trade Area, of a liberal and non-discriminatory regime for investments coming from non-member countries, which would give a valuable example to the rest of the world.
- d) The ICC should carefully consider the possibility, suggested by Mr. Davidson SOMMERS, of setting up, in collaboration with the United Nations and interested non-governmental bodies, suitable machinery for arbitrating disputes between private enterprises and individuals on the one hand, and governments and public bodies on the other, which would be acceptable to both parties.

II. PROPOSED COMPARATIVE STUDY OF LAWS AND REGULATIONS GOVERNING PRIVATE FOREIGN INVESTMENTS IN UNDERDEVELOPED COUNTRIES

After consideration of the Japanese proposal (Document No. 111/79) and of similar proposals made by the Indian National Committee and by Mr. George NEBOLSINE, the Commission came to the conclusion that it would be unwise for the ICC to attempt to compile and appraise laws and regulations governing private foreign investments, even in a selected list of countries.

The Commission requested its Rapporteur to prepare a report, taking as its chapter headings the main articles of the ICC's Code, which would illustrate under each heading, with concrete examples, the type of action a developing nation could take in order to attract foreign capital. The Rapporteur would draw upon material which the IBRD or IFC, Mr. Nebolsine and other members of the Commission might be able to supply on this subject.

III. DEVELOPMENT BANKS

After consideration of Professor KUIN's memorandum (Document No. 111/75) and of additional information given by Mr. Davidson SOMMERS and Mr. NEBOLSINE, the Commission requested its Rapporteur to prepare a draft resolution on this subject for submission to National Committees. When circulating this draft resolution, International Headquarters would ask National Committees to send in their comments on the memorandum (Doc. 111/75) to which National Committees had not had time to give full consideration in advance of the meeting.

IV. WIDER PARTICIPATION OF WAGE EARNERS, EMPLOYEES AND CONSUMERS IN INVESTMENT ACTIVITIES

The Commission confirmed the decision taken at its previous meeting to recommend the publication of a report on this subject, assembling the data contained in the Rapporteur's Preliminary Report (Document No. 111/69) and Supplementary Report (Document No. 111/76). It requested the Rapporteur to prepare a final draft for adoption at the next meeting of the Commission, with an introductory section explaining why the ICC attached importance to the development and extension of initiatives of the kind described in Professor KUIN's two reports.

V. DEVELOPMENTS IN THE UNITED NATIONS

The Commission was informed of the latest developments in the United Nations with regard to the Special Projects Fund approved by the U.N. General Assembly in December 1957 (Documents Nos. 111/71 and 111/78) and with regard to the setting up of a U.N. Economic Commission for Africa (Document No. 111/72).

Points from the DiscussionINTERNATIONAL AGREEMENT ON PRIVATE INVESTMENTS : FOLLOW-UP OF RESOLUTION No.3 OF THE NAPLES CONGRESS

In the course of the discussion of this item of the agenda, Mr. Davidson SOMMERS explained the position of the IBRD and IFC. They had given careful thought to the recommendation contained in the Naples Congress Resolution and had come to the conclusion that they would not be prepared to sponsor a conference of the kind envisaged. Such an initiative was quite outside the normal scope of their activities and they did not feel that they had the necessary experience or qualifications. The IBRD and IFC had also considerable doubts of the success of such an undertaking. The outcome might be the opposite of the one sought.

If the initiative came from elsewhere, however, the IBRD and IFC would of course readily take part in any conference that might be organized and express their views.

Mr. Sommers then offered a suggestion for immediate action by the ICC. The IBRD was constantly approached to arbitrate disputes between private firms and governments or public authorities. Although these disputes often turned on a question of assessing compensation, they were by no means all confined to the field of international investments properly so-called. They also arose in connection with the contracts of private suppliers and contractors.

Existing systems of arbitration, admirably as they were organized, were not wholly suited for dealing with disputes of this kind. They were, of course, quite capable of doing so, but the governments and public authorities of many of the countries involved were reluctant to have recourse to them. In the case of the ICC, the "Chamber of Commerce" label, and in the case of the AAA and the Inter-American Arbitration Association, the "American" label acted as a deterrent.

Mr. Sommers therefore felt that there was place for some new machinery to deal with cases of this kind and he suggested that the ICC might investigate, in consultation with the United Nations Secretariat and interested private organizations, the possibility of creating the machinery needed.

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PROPOSED COMPARATIVE STUDY OF LAWS AND REGULATIONS GOVERNING PRIVATE FOREIGN INVESTMENTS IN UNDERDEVELOPED COUNTRIES

Mr. Yoshinari SAJIMA (Japan) explained the suggestions made by the Japanese National Committee in Document No. 111/79. He emphasized the foreign investor's need for reliable information on the laws and regulations governing investments in the countries in which he was interested. A comparison of the laws and regulations in a number of countries would serve the double purpose of supplying much of the information required and at the same time making a realistic appraisal of the principles contained in such documents as the ICC's Code.

Mr. George NEBOLSINE urged that the ICC's objective should be to bring to bear the practical judgment of the business community on typical clauses of existing laws and regulations. Certain habits of legislation were deeply entrenched, without any attempt having been made to make a really scientific assessment of their usefulness. He gave as an example the restriction of transferable profits to a certain percentage. They should scrutinize each clause in terms of whether or not they genuinely served the purpose for which they were intended.

Mr. W. MANNING DACEY (U.K.) wondered whether the IBRD might not attempt the task of compilation, just as the IMF did in the case of exchange restrictions. Mr. Davidson SOMMERS replied that the idea had often occurred to the IBRD and IFC, but they had been appalled by the immensity of the field to be covered, which was much wider than that of exchange restrictions.

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The CHAIRMAN felt that the mere study of laws did not go far enough. It would be a major academic exercise, but would not supply half of the material required: Administrative practice was quite as important as the text of laws and regulations. For instance, one country might have a law listing the types of industry in which foreign investments were permitted or forbidden. In another country the law might be silent on this subject. But an entrepreneur would make a great mistake if he thought that the silence of the law in the second case gave him free access to any field of economic activity. Similarly the law might provide for non-discrimination in the field of taxation, but that did not mean that the application of the law to the executive staff of foreign enterprises would not make it impossible to recruit suitable personnel.

Mr. VERNON SMITH emphasized the delay involved in compiling such a wealth of material. The question would still arise afterwards of how best to utilize this material. He thought that the ICC should simply select two or three countries as case studies.

Professor KUIN felt that it would be extremely embarrassing for National Committees to answer an inquiry concerning the way in which foreign investments were treated in their countries. He suggested that it would be better to draw up a report explaining in practical terms how a country should act which genuinely desired to encourage foreign investments, taking into account both law and administrative practice. Mr. BARTON thought that a report such as that envisaged by Prof. Kuin might well be divided into chapters corresponding to the main articles of the ICC's Code. Mr. Cecil SAVIDGE (UK) asked whether the CAFEA might not be requested to make a case study.

Mr. Chentsal RAO (India) pointed out that the Indian National Committee had made a proposal similar to that of the Japanese. What was needed was appraisal rather than compilation, and such appraisal should cover not only the underdeveloped countries but also certain developed countries. With regard to Professor KUIN's fear of embarrassing National Committees, he felt sure that his own country would be perfectly prepared to act as a guinea-pig if the Commission so desired.

Mr. Michel HOMOLLE (France) agreed with those speakers who had emphasized the importance of actual practice and administration. Nevertheless, it was essential to have sound legislation as a foundation. He felt that a comparison of laws and regulations might serve a useful purpose in encouraging countries to adopt the right kind of legislation.

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DEVELOPMENT BANKS

Mr. George NEBOLSINE emphasized the value of Development Banks as a novel channel for promoting private enterprise and investments. They represented an interesting combination of government assistance and private initiative.

Mr. Davidson SOMMERS informed the Commission that the IBRD had recently sponsored a first meeting of representatives of development banks. The results had been most interesting and the IBRD was intending to publish the discussions in book form.

As already stated in his memorandum (Doc. 111/75), Professor KUIN had some doubts as to whether the Development Bank could really be considered as a device to stimulate international private investments. This would only be so if the yield were high enough to attract foreign investors. As it was, he felt that the foreign investors who would be mainly interested in buying the shares of development banks would be companies which already had direct investments or were already doing business with the particular country in question.

Dr. ABS and Mr. TUPPER BARRETT (USA) wondered whether the study should not be extended to cover institutions such as the Commonwealth Development Finance Company, the Charterhouse Investment Trust Ltd., Barclay's Overseas Development Corporation, etc...

The RAPPORTEUR answered that these institutions were in an entirely different category. Mr. Davidson SOMMERS confirmed this view and emphasized that development banks were primarily designed to mobilize local capital and to channel public funds from abroad, for the purpose of promoting private enterprise.

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WIDER PARTICIPATION OF WAGE EARNERS, EMPLOYEES AND CONSUMERS IN INVESTMENT ACTIVITIES

Dr. H. BOLLER (Austria) urged that in view of the great interest aroused by the inquiry, the ICC should not simply publish a brochure but should also state why it attached importance to the extension and development of initiatives such as those described in Professor KUIN's two reports. He proposed that a resolution should be drawn up on this subject.

Professor KUIN suggested, and the Commission agreed, that instead of drafting a resolution, he would prepare an explanatory introduction to the report, which would be submitted to the Commission for approval. There was one point on which he would require the guidance of the Commission. He personally had doubts as to the advisability of issuing shares to workers, particularly when the shares were issued by a company to its own workers.

Dr. ABS shared the Rapporteur's doubts. The system of workers shares led to a demand for share issues at nominal value. It also placed enterprises with no share-capital at a disadvantage. He gave the example of an enterprise in Germany which had offered shares to its employees at par, in other words with a fifty per cent bonus, and only one hundred out of fourteen thousand employees took up the offer. Another company gave its employees a bonus in the form of shares and they were all resold within six months. It was essential, Mr. Abs said, if people were to understand the meaning of private property, that everybody should pay for shares at their full value.

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PLACE OF NEXT MEETING

Mr. Chentsal RAO (India) said that his National Committee would greatly appreciate it if the Commission or its Chairman and Officers would consider holding their next meeting in New Delhi on the occasion of the IMF-IBRD meeting.

The CHAIRMAN and the SECRETARY of the Commission were very grateful to Mr. Rao for his suggestion, but pointed out that it would be difficult to organize a meeting in New Delhi at such short notice. There would also be difficulties of financing. The suggestion would however be referred to the Secretary General for consideration on some future occasion.

COMMISSION ON FOREIGN INVESTMENTS AND ECONOMIC DEVELOPMENTCOMMISSION DES PLACEMENTS A L'ETRANGER ET DU DEVELOPPEMENT ECONOMIQUE

LIST OF ATTENDANCE
 LISTE DES PERSONNALITES PRESENTES

BureauOfficers

<u>Chairman</u>	Sir Jeremy RAISMAN, G.C.I.E., K.C.S.I. (United Kingdom), Deputy Chairman, Lloyds Bank Limited - London
<u>Vice-Chairmen</u>	Dr. h.c. Hermann J. ABS (Germany), Mitglied des Vorstandes, Deutsche Bank A.G. - Frankfurt/Main George S. NEBOLSINE (United States), Partner, Coudert Bros. - New-York S. VERNON SMITH (Australia), Shell Petroleum Co. - Paris
<u>Rapporteur</u>	Professor Pieter KUIN (Netherlands), Economic Adviser, Unilever N.V. - Rotterdam

MembersMembres

<u>Australia</u>	W.S. MANKEY, Manager for the United Kingdom, Australian Mutual Provident Society - London
<u>Austria</u>	Dr. Helmut BOLLER, Head of Department of Economic Policy, Federal Chamber of Commerce - Wien - Dr. Eugene FRISCH, Commissaire National Autrichien de la CCI; Délégué Commercial d'Autriche en France - Paris
<u>Belgium</u>	Robert de BAERDEMAKER, Secrétaire Général, Comité National pour le Développement de l'Epargne Mobilière - Bruxelles Lucien L. SERMON, Conseiller Economique, BRUFINA - Bruxelles
<u>Canada</u>	J.S. WOODS, Aluminium Limited (Canada) S.A. - Geneva
<u>France</u>	Baron Rodolphe HOTTINGUER, Président, Comité National Français de la CCI; Banque Hottinguer & Cie. - Paris Jean CHAINTREUIL, Directeur des Services Administratifs, Compagnie des Produits Chimiques et Electro-Métallurgiques Péchiney - Paris P. COLMET DAAGE, Conseiller Economique, Direction des Etudes Financières, Crédit Lyonnais - Paris Michel HOMOLLE, Ancien Directeur Général, Compagnie Universelle du Canal Maritime de Suez - Neuilly s/Seine François MADINIER, Directeur, Banque Louis Dreyfus & Cie - Paris - René ARNAUD, Directeur Général, Comités Nationaux Français et de l'Afrique Française de la CCI - Paris
<u>Germany</u>	Dr. R. BRINCKMANN, Partner, Bankhaus Brinckmann, Wirtz & Co. - Hamburg - Dr. G. RIEDBERG, Commissaire National Allemand de la CCI; Délégué Allemand auprès des Fédérations Industrielles d'Europe - Paris - Dr. W. BERGER, Assistant du Dr. Riedberg - Paris
<u>Greece</u>	Demetre STAVROPOULOS, Banker - Paris
<u>India</u>	P. CHENTSAL RAO, Secretary, Indian National Committee of the ICC - New Delhi
<u>Italy</u>	Dott. Gastone CALCAGNO, Directeur Général, Banco di Roma - Paris

Japan

Teiichi KAWAKITA, President, Industrial Bank of Japan Ltd. - Tokyo
Hanju TAKEUCHI, Executive Director, Industrial Bank of Japan Ltd. - Tokyo
Saburo OHKITA, Director, Planning Bureau, Economic Planning Agency - Tokyo
Tadashi IINO, Manager, London Branch, The Mitsui Bank Ltd. - London
- Yoshinari SAJIMA, Secretary General, Japanese National Committee of
the ICC - Tokyo
- Masaya HATTORI, Japanese National Commissioner of the ICC - Paris

Netherlands

Drs. C.A. KLAASSE, Managing Director, Amsterdamsche Bank N.V. - Amsterdam

Thailand

Thonglaw PUNYANITYA, Secretary General, Thai National Committee of the
ICC - Bangkok

United Kingdom

W. MANNING DACEY, Economic Adviser, Lloyds Bank Limited - London
- C.A.G. SAVIDGE, M.B.E., Director, British National Committee of the ICC-
London

United States

Bernard S. CARTER, President, Morgan & Co. Inc. - Paris
Philippe CHAVANEAU, Morgan & Co. Inc. - Paris
R.T. TUPPER BARRETT, Vice-President, Guaranty Trust Co. of New York - Paris
John LE PELLEY, Assistant Vice-President, First National City Bank of New-York - Paris

International Bank for Reconstruction and Development (IBRD)
International Finance Corporation (IFC)

Davidson SOMMERS, Vice-President, I.B.R.D.: General Counsel,
I.B.R.D. and I.F.C. - Washington D.C.

John Duncan MILLER, Special Representative in Europe, I.B.R.D. -
Paris

International Headquarters

Secrétariat International

Walter HILL, Secretary General of the ICC
Richard BARTON, Technical Director; Secretary of the Commission
Frederic EISEMANN, Head of Law and Commercial Practice Group; Secretary General,
ICC's Court of Arbitration
Pierre JONNERET, Head of External Action Group
Nicholas J. HARMAN, Section Press-Journal
Abdul JALIL (Pakistan), CAFE-ICC Liaison Officer
W. ZWEGUINTZOW, Meetings-Docummentation Service (Interpreter).

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April 18, 1958

Sir Alexander MacFarquhar
Post Office Box 618
Bangkok, Thailand

Dear Sir Alexander:

Thank you very much for your "Personal" air letter of 19 March that I received upon my return a couple of days ago from a month's visit in Egypt. I am grateful for your kind remarks about our Mekong report and for your recommendation of me for membership on the Board.

I appreciate your interest in the post of Chief Executive Officer to the Special Projects Fund. In my opinion, you are eminently fitted for that post both by reason of your actual technical and executive experience and also especially because of your splendid personal qualifications. I know that Mr. Black has been consulted about it and no doubt will be again. In event that I have the opportunity to do so, I will most certainly recommend you highly.

Please remember me kindly to Lady MacFarquhar and tell her that I wear that beautiful tie often.

With best regards,

Sincerely,

R. A. Wheeler

RAWheeler:lfh
cc: Files

March 19, 1958

Dear Mr. Brunie,

Thanks for your note of March 4th which I found on my return from Europe. I have no definite plans to be in New York, but it is quite likely that I will be coming up during the next several weeks and if I do I will get in touch with your secretary to see if we can have a talk. I am sure that I will be able to arrange to see you at your apartment.

Yours sincerely,

(Signed) Davidson Sommers

Davidson Sommers
Vice President

Mr. Henry C. Brunie
President
Empire Trust Company
New York, N.Y.

DS/km

Statement made by Mr. Demuth, Director of Technical Assistance and Liaison,
before the U.N. Preparatory Committee on the Special Fund, at the request
of the Committee, on March 12, 1958

I would like to make just a brief statement at this time on behalf of the International Bank.

The Bank welcomed the decision taken by the General Assembly last fall to establish the Special Fund. We share what I believe is the general view that, properly organized and managed, such a fund can make a substantial contribution to the development of the less developed countries. Certainly, in the Bank's experience, the lack of factual data and of technical skills has been one of the real obstacles to the formulation of proper development programs and to bringing specific productive projects up to the point where they are ready for financing. The Special Fund, particularly through its proposed survey research and educational activities, should be able to help substantially in remedying this lack. We think its activities will not only be valuable in themselves but should facilitate the very type of development financing in which the Bank is engaged.

Because of our conviction that the proposed Special Fund can, properly organized and managed, make such a real contribution, the Management of the Bank, and I think I can also fairly say the Bank's Executive Directors, are of the view that the Bank should stand ready to assist the Fund, if requested to do so, in any appropriate way which appears likely to be effective and which calls only for such action by the Bank as is within the field of our competence and is consistent with the basic character of our constitution. We have not submitted any paper to the Committee because we have no fixed proposals to advance as to the nature or form which co-operation between the Bank and the Special Fund might take. These are matters which you will be discussing here during the coming days and, if the Committee wishes, we will be glad to express a view at any appropriate stage in your deliberations with respect to any specific proposals which you may be considering.

March 10, 1958

Mr. Henry C. Brunie
President, Empire Trust Company
20 Broad Street
New York 20, N.Y.

Dear Mr. Brunie:

This is to let you know that Mr. Sommers is on a short trip to Europe just now. We expect him back in Washington on March 17th and your letter of March 4th will be brought to his attention then.

Yours sincerely,

Secretary to Mr. Sommers

Files: Mr. Sommers' first letter was dated ~~March~~ Feb. 5th, enclosing a UN paper

March 7, 1958

Ref. Your: EC 132/221(2)

Mr. Ralph Townley
Special Assistant to the
Under-Secretary
Department of Economic and
Social Affairs
United Nations - Rm. 2925D
New York 17, N.Y.

Dear Ralph:

Retained by De Lopez-

I wish to acknowledge receipt of and to thank you for
your letter of 28 February 1958 enclosing three copies of the
Secretary-General's paper on the Special Fund.

Sincerely yours,

Enrique Lopez-Herrarte
Liaison Officer
Technical Assistance and Liaison Staff

ELH/ga

Mr. Shoaib

March 4, 1958

Richard H. Demuth

U.N. Special Fund

You asked me to set forth a list of those points concerning the set-up of the proposed U.N. Special Fund which I consider important to the effective operation of that Fund. The more important points that occur to me are these:

1. I believe that the governing body should be in the nature of a board of directors rather than of a political conference or committee. To this end

- (a) The number of directors should be relatively small and membership should be open to all contributing governments, whether or not members of the U.N.
- (b) It should be composed, to the extent possible, of men chosen for their experience in dealing with economic development matters, rather than for their experience in general political negotiations. It would be particularly useful if a number of governments appointed as their members on the governing board their Executive Directors for the Bank.
- (c) It should meet in private, not public, sessions and its meetings should normally last a matter of hours rather than a matter of days.
- (d) It should, if possible, be a new body rather than a revised TAC or a subcommittee of TAC. This is desirable not only to assure appointment of men of stature to the board but also to avoid importing into the board's deliberations the existing TAC pattern. If it is desired to have the same intergovernmental body review the Special Fund and the technical assistance program, this could best be done by putting the proposed new board in charge of both and either killing off TAC or letting it die on the vine.

2. There should not be any elaborate system of governmental debates superimposed upon the deliberations of the governing board since this would draw the Special Fund unnecessarily into the political arena and unduly divert the attention of its operating staff. Specifically, an annual debate by ECOSOC and by the Second Committee of the General Assembly would seem sufficient and a three-tiered review (TAC, ECOSOC, General Assembly) should be avoided if possible.

RHD:tf

March 3, 1958

Sir Herbert Broadley
Deputy Director-General
Food and Agriculture Organization
Viale delle Terme di Caracalla
Rome, Italy

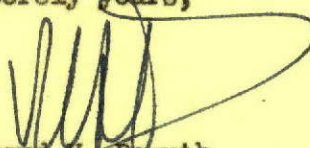
Dear Herbert:

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Thank you for your letter of February 21 enclosing a copy of the FAO paper on the Special Projects Fund. I have read the paper with a good deal of interest.

For your information, the Bank does not expect to submit any paper to the Preparatory Committee, but in general we support the position taken in the paper prepared by the Secretary General.

I hope to see you in New York during the course of the month. With kind regards,

Sincerely yours,



Richard H. Demuth
Director

Technical Assistance and Liaison Staff

RHD:tf

March 3, 1958

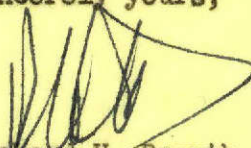
Mr. David A. Morse
Director-General
International Labour Office
Geneva, Switzerland

Dear Mr. Morse:

In the absence of Mr. Black, who is on a trip abroad, I wish to acknowledge receipt of your letter to him of February 21 enclosing three copies of an ILO paper concerning the United Nations Special Projects Fund. We have examined this paper with a good deal of interest.

For your information, the Bank does not propose to submit any paper to the Preparatory Committee on the Special Fund, but in general we support the position taken in the paper submitted by the Secretary General.

Sincerely yours,

A handwritten signature in dark ink, appearing to be 'R. H. Demuth', written over a large, light-colored triangular mark.

Richard H. Demuth
Director
Technical Assistance and Liaison Staff

RHD:tf

GENEVA

21. II. 1958

Dear Mr. Black,

As you will recall, Resolution 1219 (XII) concerning the financing of economic development, adopted by the General Assembly of the United Nations on 14 December 1957, invites the executive heads of the specialised agencies to submit their views and suggestions concerning the proposed special projects fund to the Preparatory Committee established by that Resolution.

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I enclose herewith three copies of the paper concerning this resolution which will be submitted to the Governing Body of the I.L.O. at its forthcoming (138th) session.

As you will see from paragraphs 57 to 66 of the paper, it is proposed to submit to the Preparatory Committee views and suggestions on the proposed special projects fund which will reflect the opinion of the Governing Body itself. While it is anticipated that the Governing Body will endorse the suggestions contained in the paper, they are to be regarded, at this stage, as representing only my own views and recommendations to the Governing Body, and the paper is being communicated to you for your personal information.

Sincerely,



David A. Morse,
Director-General.

Mr. Eugene R. Black,
President,
International Bank for Reconstruction
and Development,
1818 H Street N.W.,
WASHINGTON 25, D.C.

ack. Mar. 3.

RECEIVED
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

FEB 24 10 29 AM 1958

**GOVERNING BODY
CONSEIL D'ADMINISTRATION
CONSEJO DE ADMINISTRACION**

G.B.138/I.O./D.2/6
138th Session

Geneva,
February-March 1958

INTERNATIONAL ORGANISATIONS
COMMITTEE

COMMISSION DES ORGANISATIONS
INTERNATIONALES

COMISION DE ORGANIZACIONES
INTERNACIONALES

Second Item on the Agenda

UNITED NATIONS SPECIAL PROJECTS FUND

Explanatory Note

The attached document dealing with the proposed establishment by the United Nations of a Special Fund to supplement the existing arrangements for the financing of economic development is being submitted both to the International Organisations Committee and to the Technical Assistance Committee of the Governing Body.

The attention of the International Organisations Committee is drawn particularly to Part III of the document: Organisational Arrangements. The Technical Assistance Committee will be asked to give consideration more especially to Part II of the document: The Possible Contribution of the I.L.O. to the Achievement of the Purposes of the Fund.

**GOVERNING BODY
CONSEIL D'ADMINISTRATION
CONSEJO DE ADMINISTRACION**

Geneva,
February-March 1958

INTERNATIONAL ORGANISATIONS
COMMITTEE

COMMISSION DES ORGANISATIONS
INTERNATIONALES

COMISION DE ORGANIZACIONES
INTERNACIONALES

Second Item on the Agenda

UNITED NATIONS SPECIAL PROJECTS FUND

I

1. On 14 December 1957 the General Assembly of the United Nations adopted unanimously the following resolution concerning the financing of economic development which provides for the establishment by the United Nations of a Special Fund to supplement the existing arrangements for this purpose:

"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 resolutions on the establishment of an international fund for economic development within the framework of the United Nations and, in particular, re-affirming its unanimously adopted resolutions 724 A and B (VIII) of 7 December 1953,

Noting the recommendation of the Economic and Social Council in its resolution 662 B (XXIV),

Recognizing that the United Nations Expanded Programme of Technical Assistance is of proven effectiveness in promoting the economic development of the less developed countries,

Recognizing, however, that neither the Expanded Programme of Technical Assistance nor other existing programmes of the United Nations or the specialized agencies can now meet certain urgent needs which, if met, would advance the processes of technical, economic and social development of the less developed countries, and, in particular, would facilitate new capital investments of all types - private and public, national and international - by creating conditions which will make such investments either feasible or more effective,

Convinced that a rapidly achieved enlargement in the financial resources and scope of technical assistance rendered by the United Nations and the specialized agencies to the less developed countries would constitute a constructive advance in United Nations assistance and would be of immediate significance in accelerating their economic development,

Recognizing that, while long-term pledges are desirable, some governments are unable to make financial commitments except with the approval of their legislatures and on an annual basis,

Commends the Ad Hoc Committee on the Question of the Establishment of a Special United Nations Fund for Economic Development for the work embodied in its final supplementary reports prepared in accordance with General Assembly resolutions 923 (X) of 9 December 1955 and 1030 (XI) of 26 February 1957;

1. Decides that, subject to the conditions prescribed hereunder, there shall be established as an expansion of the existing technical assistance and development activities of the United Nations and the specialized agencies a separate Special Fund which would provide systematic and sustained assistance in fields essential to the integrated technical, economic and social development of the less developed countries,

2. Decides further that, in view of the resources prospectively available at this time, which are not likely to exceed \$100 million annually, the operations of the Special Fund shall be directed towards enlarging the scope

of the United Nations programmes of technical assistance so as to include special projects in certain basic fields to be defined by the Preparatory Committee provided for in paragraph 4 below, for example, intensive surveys of water, mineral and potential power resources; the establishment, including staffing and equipping, of training institutes in public administration, statistics and technology, and of agricultural and industrial research and productivity centres;

3. Considers that while, without impairing the separate identity of the Special Fund, the fullest possible use should be made of the existing machinery of the United Nations, the specialized agencies (including the existing international financial institutions) and the Expanded Programme of Technical Assistance, the Special Fund will require some new administrative and operational machinery;

4. Decides to establish a Preparatory Committee composed of representatives of 16 Governments to do the following, taking into account the principles set out in the annex¹ and the views and suggestions forwarded by governments pursuant to paragraph 7 below:

(a) Define the basic fields of assistance which the Special Fund should encompass and, within these fields, the types of projects which should be eligible for assistance;

(b) Define in the light of paragraph 3 above, the administrative and operational machinery to be recommended for the Special Fund, including such changes as may be required in the present legislation and procedures of the Expanded Programme of Technical Assistance;

(c) Ascertain the extent to which governments would be willing to contribute to the Special Fund;

5. Requests the President of the General Assembly to appoint the members of the Preparatory Committee;

6. Invites the Secretary-General to provide the Preparatory Committee with all the necessary facilities, including the provision of such expert consultants as might be required;

¹ See footnote to paragraph 4 below.

7. Requests governments to assist the Preparatory Committee in its work by forwarding their views and suggestions to the Preparatory Committee through the Secretary-General and, in particular, by indicating the extent to which they would be willing to contribute to the Special Fund;
8. Invites the Secretary-General, the executive heads of the specialized agencies and the Executive Chairman of the Technical Assistance Board to forward their views and suggestions to the Preparatory Committee;
9. Requests the Preparatory Committee to submit the results of its work in the form of a report and recommendations to the twenty-sixth session of the Economic and Social Council;
10. Requests the Economic and Social Council to transmit the Preparatory Committee's report, together with its own comments, to the thirteenth session of the General Assembly for final action;
11. Looks forward to the establishment of the Special Fund as of 1 January 1959;
12. Appeals to all States Members of the United Nations, in a spirit of co-operation and solidarity, to give the greatest possible assistance to the Special Fund;

Decides that as and when the resources prospectively available are considered by the General Assembly to be sufficient to enter into the field of capital development, principally the development of the economic and social infrastructure of the less developed countries, the General Assembly shall review the scope and future activities of the Special Fund and take such action as it may deem appropriate."

2. The Preparatory Committee provided for in the resolution consists of representatives of Canada, Chile, Denmark, Egypt, France, Ghana, India, Japan, Mexico, the Netherlands, Pakistan, Peru, the Union of Soviet Socialist Republics, the United Kingdom of Great Britain and Northern Ireland, the United States of America and Yugoslavia. It is to meet in New York on 11 March and to make a report for consideration at the 26th Session of the Economic and Social Council which meets in Geneva on 1 July 1958, with a view to the action necessary to establish the Fund being taken by the General Assembly at its 13th Session in the autumn of 1958 and the establishment of the Fund as from 1 January 1959.

3. The Governing Body will be particularly interested in noting the following points which have a direct bearing on the relationship of the International Labour Organisation to the proposed Special Fund:

- (a) The Fund is to be established "as a part of the existing technical assistance and development activities of the United Nations and the specialized agencies" but as "a separate Special Fund which would provide systematic and sustained assistance in fields essential to the integrated technical, economic and social development of the less developed countries".
- (b) The operations of the Special Fund are to be directed towards enlarging the scope of the United Nations programmes of technical assistance so as to include special projects in certain basic fields to be defined by the Preparatory Committee.
- (c) The resolution provides that "while, without impairing the separate identity of the Special Fund, the fullest use should be made of the existing machinery of the United Nations, the specialized agencies (including the existing international financial institutions) and the Expanded Programme of Technical Assistance, the Special Fund will require some new administrative and operational machinery."
- (d) The Preparatory Committee, in addition to defining the basic fields of assistance which the Special Fund should encompass and, within these fields, the types of projects which should be eligible for assistance, is also to consider the administrative and operational machinery to be recommended for the Special Fund, "including such changes as may be required in the present legislation and procedures of the Expanded Programme of Technical Assistance"; it is also to ascertain the extent to which governments would be willing to contribute to the Special Fund.
- (e) The Secretary-General of the United Nations, the executive heads of the specialized agencies and the Executive Chairman of the Technical Assistance Board are invited to forward their views and suggestions to the Preparatory Committee.

4. Among the points which emerged clearly from the discussion of the resolution providing for the establishment of the Special Fund, both in the Second Committee of the General Assembly and in the Plenary Meetings of the Assembly, was the

fact that while a decision of principle has been taken by the General Assembly on the basis of the resolution approved, this resolution represents a compromise between conflicting views which leaves in suspense important problems concerning the organisation of the Fund and the nature of the special projects it is to undertake in respect of which differences of viewpoint remain unresolved. More particularly, it was understood both in the Committee and in the Plenary Meeting that the General Assembly was not being asked to endorse the arrangements set forth in the Annex¹ of the resolution, which are to be considered by the Preparatory Committee on the same footing as any other views and suggestions that may be forwarded for its consideration in recommending appropriate arrangements for the Special Fund.

5. In these circumstances there are five questions to which the Governing Body may wish to give special consideration at this stage:

- (a) The nature and extent of the contribution which the International Labour Organisation can make to the achievement of the purposes of the proposed Special Projects Fund.
- (b) The general relationship between the proposed Special Projects Fund and existing technical assistance programmes.

¹ The text of the Annex to the Resolution is as follows:

ANNEX

1. The Special Fund shall be a multilateral fund of the United Nations, with financial resources principally derived from voluntary annual contributions of governments and others in or transferable into currency usable by the Fund and, as much as possible, pledged or indicated for a number of years.
2. Assistance from the Special Fund shall be given only to projects which would make a contribution to the economic development of the requesting country or countries. The operations of the Fund shall be in conformity with the principles of the Charter of the United Nations and shall not be influenced by political considerations.
3. The Special Fund shall be administered by a chief executive officer under policies established by an executive body in accordance with such rules and principles as may be laid down by the General Assembly and the Economic and Social Council. The membership of the executive body shall be equally distributed between two groups, one consisting mainly of major contributing countries and the other consisting mainly of less developed countries. Each member of the executive body shall have one vote. Decisions of the executive body on questions of policy, including the allocation of funds, shall require a qualified majority vote.

- (c) The nature of the organisational arrangements which would facilitate the most effective co-operation between the International Labour Organisation and the proposed Special Projects Fund.
- (d) The manner in which the fullest use should be made of the existing machinery of the International Labour Organisation and the Expanded Programme of Technical Assistance in connection with the proposed Special Fund.
- (e) The relationship between the creation of the proposed Special Fund and the present arrangements for the financing and administration of the existing Expanded Programme of Technical Assistance.

II

The Possible Contribution of the I.L.O. to the Achievement of the Purposes of the Fund

6. In promoting higher standards of living in underdeveloped countries the establishment of the Special Fund should have the effect of reinforcing the efforts of the I.L.O. Shortages of skilled workers and supervisors and of executives trained in modern management techniques constitute, with shortages of capital, two of the major obstacles to the raising of living standards in underdeveloped countries. By making possible an increase in the scale and effectiveness of certain kinds of technical assistance, which the I.L.O. has so far been providing on a limited scale, the Fund will be able to make an immediate and important contribution to overcoming these shortages of skills; this will help to make new capital investment in underdeveloped countries more feasible and more effective and will thus strongly reinforce whatever additional activities the Special Fund may be able to undertake with this end in view.

7. It is a necessary condition for the development and effective operation of an industry or undertaking - a condition without which that industry or undertaking is unlikely to attract private capital, and will in any case be unable to yield adequate returns on either private or public capital invested in it - that there should exist a labour force adequate in terms both of numbers and skills to meet the demands that will be made upon it. It is no less essential that the industry or undertaking should be competently managed. If these two conditions are to be met, action will be needed in at least four closely related fields: first, to establish the facts regarding the availability of and requirements for different categories of manpower under economic development programmes; second, to overcome through vocational training and better distribution and placement of manpower the shortages of skills which would otherwise check the progress of development; third, to improve the efficiency of management at all levels by systematic training in modern management techniques; and fourth, to enlist and sustain the interest of all concerned in making the most effective use of all available resources, both human and material, for the purpose of increasing productivity and raising living standards. The importance of such action is reflected in the emphasis that was placed, in the discussions in the Second Committee and the General Assembly and in the Resolution itself on training institutes and research and productivity centres as activities that should be assisted under the Special Fund. This emphasis indicates a recognition of the close inter-relationship

between the economic and the social factors on which economic development depends. Without competent management and skilled labour, there will be no prospect of adequate returns on investment. This is the economic aspect. Equally important is the social aspect, for it is not enough that the benefits of development should accrue only to a certain minority. The people generally must participate in the benefits, principally through their ability to earn a share in them because of increased skills and the opportunity to use these skills. With the prospect of such participation, the promotion of a wider understanding of the benefits to be derived from new and more efficient ways of working and the development of appropriate relationships between labour and management, the way can be cleared for rapid progress.

Assessment and Development of Manpower Resources

8. Although the I.L.O. has done much to assist the less developed countries in assessing and developing their manpower resources in relation both to economic development planning generally and to the development of specific industrial sectors of the economy, most governments have not been able to tackle the problem of manpower utilisation in all its aspects.

Manpower Availabilities and Requirements

9. There is a growing appreciation of the fundamental contribution that can be made to surveys of national resources by the quantitative and qualitative assessment of manpower availabilities and requirements.¹ Because of limitations in financial resources and the necessity of budgeting from year to year, most of the action undertaken in this field to date has been on the basis of limited manpower surveys which have not produced the basic information on the size and character of the labour force necessary to ensure fulfilment of long range development plans. A comprehensive analysis of human resources - the effectiveness with which they are being used, the areas of probable future labour shortage and waste, etc. - is a major project in any country, often requiring extensive work over an extended period of time. Full achievement of the desirable objectives in this

¹ Cf. Report of the International Bank on the Economic Development of Iraq, Ch. VIII "Problems of Execution", which reads, in part "If acute shortages are not to develop later on, it will be necessary for the Development Board to determine promptly what types of skills are likely to be in greatest demand as a result of the development programme and to inquire how appropriate training can be instituted".

field calls for aid considerably beyond the limits of present technical assistance projects.

10. In assisting governments to assess their manpower position, the I.L.O. has aimed at the establishment of the necessary organisational arrangements in the country to provide employment information on a continuing basis since manpower requirements and training needs change as economic development proceeds. This is necessarily a long term process requiring continuity of action. In India and Pakistan, for example, projects carried out in 1956-57 for the surveying of manpower resources and the establishment of employment information programmes was followed up in 1958 with short missions of advisory assistance in an effort to consolidate and carry forward the work already undertaken. In order to provide for an exchange of experience in this field in the Asian region, the I.L.O. also conducted a two-month course of instruction in 1957 for technicians and administrators from Asian countries. This pattern of follow-up assistance plus instruction and regional exchange of technical experience, worked out under the Expanded Programme of Technical Assistance only with the greatest of administrative difficulties, has admittedly been make-shift and, in terms of requirements in the region, inadequate; but it has served to demonstrate the need to set up more comprehensive projects in the field of manpower assessment and to suggest possibilities of similar action in other regions. Increasingly, countries in the early stages of development are organising on their own behalf programmes of economic development. They have been watching the process in other countries and in general have a keen awareness of the importance of fully developing and utilising their manpower resources. This is leading them to think in terms of manpower policies for as much as ten years ahead, and requests for assistance for long-term manpower programmes have already been received. In these cases, particularly, a co-ordinated and long-term approach to manpower development is needed and it is only through the survey and training of manpower and raising its productivity and purchasing power that the objectives of economic development will be attained.

Vocational Training

11. Although as much as 50 per cent. of the total resources that have been available to the I.L.O. for technical assistance have been spent in the field of vocational training, the needs are so great, and the financial resources of governments so limited, that planning of training programmes in the individual countries has had to be on the basis of implementing only certain aspects of total training requirements, and even then without the certainty of continuation over a period of several years. This has meant that projects have often had to be planned to give some

concrete but limited results quickly, whereas more extended programmes would have enabled more fundamental achievements to be encompassed. For these reasons it is felt that if additional funds become available under the Special Fund, the opportunity should be taken to set up more comprehensive training projects based upon short-term and long-term manpower requirements and aimed at the widespread introduction of vocational training, including institutional, apprenticeship and other forms of in-plant training.

12. The work of the I.L.O. in the field of vocational training has encompassed a broad range of training activities including the training of youth to skilled worker level, the training of instructors and of training officers, accelerated and up-grading vocational training and the training of supervisory personnel. The lack of competent instructors, particularly in the underdeveloped countries, has proved to be a serious handicap in the development of training programmes for young persons and adults and the I.L.O. has given major attention to this problem as the key to multiplying results in terms of total numbers trained. In the vast majority of countries, however, lack of adequate financing, particularly with regard to buildings and equipment, has forced governments to tackle only a segment of their total training needs.

13. Additional funds, if made available, could in this field provide the opportunity for work on a scale more commensurate with the needs. Details would need to be worked out in each specific case - programmes might be national or regional but it can be stated in general terms that they would normally be made up of two phases: firstly, a preliminary survey of manpower requirements and availabilities and secondly, the implementation of training schemes for all required categories of manpower. The work of the I.L.O. in Iraq, where adequate financing is already available, provides an illustration of one of the forms which a comprehensive project for the development of human resources, financed with assistance from the Special Fund, might take.

14. At the request of the Development Board of Iraq the I.L.O. made a preliminary inquiry in 1957 to determine the main elements of a manpower programme to assist the government in ensuring that execution of the vast programme of capital development being undertaken does not suffer for lack of the necessary skills and that the human resources of the country are effectively utilised in relation to long-term development objectives. Two major recommendations have resulted and appropriate action has been initiated along the following lines:

- (a) A manpower survey to assess the relationship between labour supply and labour demand on both a short-term

and long-term basis in relation to the development programme with special attention to the specific occupational skills required and rural-urban migration.

- (b) A large-scale training programme to be based upon the skill requirements in both industry and agriculture as revealed by the assessment of manpower needs and availabilities and adjusted periodically in relation to labour supply and demand and technological change as revealed by a continuing programme of employment information.

15. The first point of attack on the manpower problem in Iraq was to draft a training programme designed to supply industry with the skilled manpower required immediately and in the near future by courses of intensive training carried out in Industrial Training Centres operated on industrial standards. The financial resources at the disposal of the government make it possible to build and equip Centres along industrial lines according to the technical recommendations of the I.L.O. and staffed by competent instructors with a knowledge and experience of industrial training requirements and methods.

16. A preliminary assessment of the manpower situation in Iraq reveals, however, that a broader based programme of training will be necessary if the highest possible standards of skill and workmanship are to be made available for the development programme. These and other considerations have formed the basis for putting forward proposals for a co-ordinated programme of training designed to meet the specific needs of Iraq on several fronts, including training for instructors and supervisors, apprenticeship training and training for management and specialist staff in the techniques of industrial engineering and the raising of productivity.

Management Development and Productivity Improvement

17. While governments, employers and managers, and workers all have responsibilities for, and can all contribute to, the raising of productivity, management is the key factor. A country cannot take full advantage of other forms of technical assistance, including other forms of training, unless it has the managerial ability to utilise the knowledge and skill of the work force. The development of managerial talent in underdeveloped countries on a scale sufficient to make widespread additional capital investment attractive is crucial to the success of economic

development programmes.¹ Improvements in productivity achieved through better management may also render certain specific capital investments unnecessary, and thus, by enabling available capital to be used for other purposes, serve the same end as additional investment would do, but at lower cost.²

18. Specific aspects of the general need for higher productivity in underdeveloped countries include the following:

- (a) the need to convince employers and their organisations, and workers and their representatives, of the advantages which higher productivity can bring to all sections of the community;
- (b) the need to improve industrial relations and to create an atmosphere in which the two sides of industry can co-operate in raising productivity - little sustained progress in raising productivity can be achieved without such co-operation;
- (c) the need for training top management, lower ranking management officials and workers in techniques which can be used for raising productivity in both large and small-scale undertakings;
- (d) the need to build up a nucleus of trained nationals who, after participating in the demonstration and training activities of technical assistance missions, can ultimately take over this work from them.

19. The I.L.O. has sought to meet these needs by sending productivity missions to countries which have requested this form of assistance under the Expanded Programme of Technical Assistance. At the present time some 20 I.L.O. management consultants and industrial engineers are at work in some ten countries in Asia, the Near and Middle East and Central and South

¹ Cf. for example the emphasis on "competent management" as a condition for investment in an enterprise by the International Finance Corporation - International Finance Corporation: First Annual Report, 1956-7, p. 2

² Several examples of this are to be found in the work of I.L.O. productivity missions sent to underdeveloped countries under the Expanded Programme of Technical Assistance. Thus improvements in layout, materials handling and work methods in a workshop of the State Transport Undertaking in Poona (Bombay) yielded such substantial savings in floor space as to make it possible to cancel the proposed construction of two additional bays at a cost of 200,000 rupees. In the Delhi State Transport Undertaking a reduction in the time needed for overhaul of buses was expected to lead to a 50 per cent. increase in the number of buses in service without any enlargement of the fleet.

America. The pattern of assistance provided has to be adapted to the conditions and requirements of each country. Notwithstanding great differences in the conditions and requirements of different countries, there is however a certain similarity in the pattern of activities which the larger and longer-standing I.L.O. productivity missions - those at work in Egypt, India and Israel - have found to meet most effectively the needs of the countries in which they are operating. Preliminary surveys of requirements and the establishment of contacts with government departments and representatives of employers and workers have been followed by demonstrations in individual plants, at the invitation of the owners, of techniques which may be used to raise productivity, and by training courses often given in close conjunction with the demonstration projects. While a variety of training courses has been given, emphasis has been placed on short appreciation courses for top management and on longer courses, of about two months' duration, for lower-ranking management officials, technicians and (in India and Israel) also for workers, in the simpler techniques of work study and production planning and control. These courses have included practical work in their own plants carried out by trainees under the supervision of the I.L.O. experts or counterpart personnel.

20. Each of these missions has also been called upon to assist the Government in setting up, or developing the work of, organisations such as national productivity centres, employing a nucleus of trained industrial engineers and specialists in other productivity improvement techniques, providing advisory and training services to industry and sometimes to other sectors of the national economy, and in general providing a means of focusing and co-ordinating national and international efforts to raise productivity in the countries concerned. The establishment of some such machinery at an early stage in the course of a national drive to raise productivity is considered to be of the greatest importance. Experience in Europe and elsewhere seems to have shown that such centres function best if administered, or at least advised, by boards or committees on which employers and workers as well as governments are represented.¹ Governments can do much to create conditions economically and psychologically favourable to higher productivity, but since it is in individual undertakings, and by the efforts of individual

¹ This is nearly universal in the productivity centres that have been set up in the majority of Western European countries. Other groups, such as universities and professional associations, may also be represented.

employers and workers, that productivity has actually to be raised it is of the greatest importance that employers and workers should be associated, through their representatives, with the work of such centres, which may tend to arouse mistrust if they are organised on an exclusively governmental basis.

21. Some of the I.L.O. missions, notably those in Israel and Egypt, have achieved results out of all proportion to the small scale on which assistance has been provided. The success of the missions in these two countries has been due very largely to the vigorous support which productivity improvement work has received from those in the highest quarters. In Israel there has been a vigorous and sustained national campaign to raise productivity and the concept of higher productivity has penetrated every aspect of the country's economic life.¹ More than 6,000 people drawn from all levels and from a wide variety of both large and small-scale undertakings have attended the various courses given by the Israel Institute of Productivity. The bulk of the training has been done by the Institute's own staff - the small I.L.O. mission could never have dealt with more than a fraction of the total number of trainees, but its influence in training staff members of the Institute and others, in formulating programmes, in advising and in "selling" the idea of productivity to industry and to the country at large has been generously acknowledged by Israelis. One of the earlier projects of the Institute, in which an I.L.O. expert participated, and the success of which helped to make the Institute known and to increase the demand for its services, concerned the picking of citrus fruit - one of the most important exports of the country, in which it was vital that Israel should be able to compete successfully with other exporting countries. Standards of performance based on time studies were set for various types of grove. Before the next season 250 foremen were trained in organising the material on the sites and in instructing the workers in the best picking methods. Although the groves did not all make the recommended changes in methods, in the next season 40 per cent. more exportable fruit was picked by 7,000 seasonally engaged workers as compared with 9,000 the season before - a considerable saving in manpower, scarce at that time, as well as in costs. Where payment by results was introduced the earnings of the workers increased by from 20 to 40 per cent.

¹ Thus in the first nine months of 1957 industrial production rose by 9 per cent. as compared with the same period in 1956, while industrial employment increased by 2 per cent.

In subsequent seasons productivity has increased still further.¹ In Israel, where an I.L.O. productivity mission of varying size and composition has been at work since 1952, I.L.O. technical assistance in this field on a continuous basis is expected to come to an end this year (though further short-term missions by specialists in particular techniques may still be required), but other countries have not yet reached the stage where the main work begun by I.L.O. experts can be handed over entirely to national counterparts.

22. In Egypt, where technical assistance in the raising of productivity is combined with technical assistance in vocational and supervisory training, (as the I.L.O. has proposed might be done in Iraq) the mission has been able, in addition to its training activities, to assist in bringing about striking improvements in productivity in particular plants and processes.²

¹ For further information regarding the activities of the Israel Institute of Productivity, see David Krivine: Effort for Productivity, the Story of the Israel Institute of Productivity (Tel Aviv, I.I.P., (1957)).

² For example, the following results were achieved between February and September 1955 in a silk-weaving plant employing about 2,500 workers:

Department	Percentage increase in production	Percentage decrease in labour	Percentage increase in productivity
Bleach house	40	26	88
Dye house	33	57	208
Drying house	33	36	108
Calender house	25	23	63
Print house	23	0	23
Make-up Magazine	23	0	23

At the time this project was undertaken an extension to the plant was well under way, and redundant workers were transferred to the new departments for training at their previous rates of pay. Workers remaining in their previous departments received increased earnings.

Though it seems that many managements have not yet learned to make full use of the skills and knowledge acquired by those of their technical staff members who have undergone training (a problem widely encountered by I.L.O. missions), vigorous efforts are now being made to set up permanent units having continuous responsibility for productivity improvement in plants in which demonstration projects have been carried out. The best augury for the future is the support which productivity improvement work receives from the highest quarters, as evidenced by the fact that the national staff of the Department of Productivity and Vocational Training of the Ministry of Industry is now well over 100 and by the scale of operations envisaged by the Government. The Department is at present carrying out a five-year programme which includes the establishment of 100 work study departments, 100 production planning and control departments and 100 costing departments in Egyptian enterprises, and the training of personnel to staff these units.

23. There is no doubt that, if increases in productivity commensurate with those achieved in individual plants in which I.L.O. experts or persons trained by them have been able to work could be brought about in a substantial proportion of all undertakings in an underdeveloped economy, there would be a dramatic rise in production and in the standard of living. Even in Israel and Egypt a greater impact could have been made if it had been possible for the I.L.O. to provide technical assistance on a larger scale.¹ This is still more true of the newer and smaller I.L.O. productivity missions in various countries, whose record of accomplishment has so far been much more limited. Though most of these smaller missions - for example in Bolivia, Nicaragua and Pakistan - have been able to accomplish valuable

¹ The mission in Israel has consisted at times of one and at times of two experts on 12-month contracts, strengthened from time to time by specialists on shorter (usually three-month) contracts, to conduct specific courses or seminars or provide advice and assistance on specific topics, including personnel management and productivity measurement. The Egyptian mission, for the greater part of the time since it started work in 1954, has consisted on the productivity side (as distinct from the vocational training side) of four experts.

work within the limits of their resources¹, they have encountered a variety of difficulties, many of which have been associated with the very small scale and the discontinuous and piecemeal character of the assistance provided - defects which could scarcely be avoided under the limitations of the present Expanded Programme of Technical Assistance budget and procedures.

Advantages of Broad Projects and of Inter-Agency Co-operation

24. Though even very small-scale missions in this field, with very limited equipment, may justify themselves if they succeed in arousing interest in the subject and in demonstrating the kinds of results which larger-scale and more sustained efforts might be expected to produce, it is suggested that the systematic and sustained technical assistance envisaged in the Assembly Resolution establishing the Special Fund could and should be given in the form of larger and more comprehensive projects than have been usual under the E.P.T.A. The I.L.O., for example, provides technical assistance in the closely related fields of management development and productivity improvement, vocational and supervisory training and labour-management and industrial relations (as well as in a number of other fields). The opportunities under the E.P.T.A. for providing these closely related forms of assistance simultaneously and on an adequate scale, and for combining them into single comprehensive projects, have been very limited; they will no doubt be greater if such forms of assistance can be included among those to be financed from the Special Fund. Simultaneous and co-ordinated efforts by experts with different but complementary technical qualifications, focused on the same group of undertakings or industries and supporting and sustaining each other, may make a larger impact than would be possible if the efforts were more dispersed. Projects should be

¹ The I.L.O. productivity expert in Bolivia trained a small local staff in work study; the trainees have been able to assist in substantially improving methods and conditions of work in a variety of industries in this country with its exceptionally difficult economic and social conditions, and there is a lively demand for the services of the small Productivity Office. In Nicaragua an I.L.O. expert was able to assist the management to double the rate of output in a factory producing footwear with no increase in the labour force or in the capital invested in the plant. In Pakistan, it is estimated that the actual and potential annual savings made possible by work done by a two-man mission on three projects in its first year - savings resulting almost entirely from improved utilisation of plant and machinery involving no dismissals - amount to about 20 times the entire cost of the mission for that year.

provided with adequate buildings and sufficient equipment, and it is highly desirable that the possibility should exist of planning the work over a period of years. Furthermore, I.L.O. experience suggests that it may often be desirable to make available a number of experts sufficiently large to be able not only to give technical advice but also to provide at least initial and partial staffing of training, research and productivity centres, and to provide certain consulting services, as has been done with notable success by the I.L.O. productivity missions in Egypt and in India.¹

25. A programme such as that in progress in Egypt or that proposed for Iraq illustrates the range of action in those fields which the I.L.O. is equipped to carry out where adequate resources can be made available, including a certain amount of capital for buildings and equipment. A further illustration is afforded by the staff development programme for new industries which the I.L.O. was able to launch in Yugoslavia at a time when requests for technical assistance under the Expanded Programme were fewer than at present and larger funds could be allocated for particular projects. This provides for co-ordinated action on three lines: practical training of key workers and foremen in factories abroad, on-the-job training of foremen and workers by sending instructors into factories in Yugoslavia, and training of managers and supervisors in the techniques of management and supervision in specialised centres established with I.L.O. assistance in the country. The project, according to Yugoslav reports, has considerably contributed to the successful implementation of the Government's industrial development scheme. Shortages of key personnel such as these programmes are designed to overcome are among the main obstacles to industrial development in many countries. In each case, however, both the needs and the framework within which they must be met will differ and programmes for the assessment and development of manpower resources and for raising productivity will therefore need to be designed in the

¹ In addition, it may be desirable to devote attention to methods of measuring the results obtained through improved organisation, training, and use of better equipment, first in order to make sure that the new methods are actually achieving results, and second to avoid bitterness and conflict between workers and management based on inaccurate appraisal of gains achieved. Experience in advanced countries has shown that such measurement involves intimate knowledge of plant processes and is a highly technical operation. It would usually be on a plant or industry basis.

light both of the general situation in the country concerned and of the particular requirements indicated by its economic development programme.

26. The Special Fund may also create new opportunities for providing certain services on a regional basis for groups of countries which may not yet be in a position to develop on a national scale all the training, information and advisory services which are needed for an effective manpower development and productivity improvement programme.

27. An example of regional action within the I.L.O. field, which has so far operated only on the small scale permitted by the limited resources of the Expanded Programme, is the regional centre in Rangoon which gives 12-months training courses for mechanics in the servicing and repair of marine diesel engines. At the present time 23 trainees from five countries in the region are taking these courses. Though buildings have been provided by the Burmese Government and equipment has been donated by a number of individual countries and under the Colombo Plan, the operation of the centre is still severely limited by shortages of funds and equipment.

28. Within the same region, were funds available for a broad programme of management development and productivity improvement, valuable service could be rendered by a Productivity and Management Training Centre for South-East Asia. Such a centre with a small full-time staff qualified to run training courses and provide expert consultant services, together with counterpart staff from the countries concerned and possibly visiting lecturers from nearby national productivity centres or management training institutions, could provide residential courses of appropriate duration for various categories of managerial and supervisory staff, technical documentation and related services, until such time as management training facilities and other elements in the productivity programmes of the participating countries had been developed on an adequate scale.

29. Finally, the Special Fund may make it possible, in certain national and regional projects, to achieve a greater degree of concentration of the technical resources available in the various international agencies, whether by undertaking joint or complementary projects, than has so far proved feasible under the E.P.T.A.

30. The Inter-Agency Andean Indian Programme, which aims at integrating the Indian populations living on the High Plateaux of Ecuador, Peru and Bolivia into the national economic and social

life of their respective countries, affords a good illustration of what could be achieved by co-operative action on a regional scale if more funds were available. At present ten action bases have been established in Ecuador (Quito, Coimborazo and Guano), Peru (Taraco, Chuquito and Camicachi in the Puno area) and Bolivia (Pillapi, Playa Verde, Otavi and Cotoca). Each of these bases is being used in the first instance by teams of international experts, provided by the United Nations, F.A.O., U.N.E.S.C.O., W.H.O. and the I.L.O., and national experts made available by the governments, to demonstrate new techniques and methods of improving agricultural production and existing handicrafts. At the same time, through the medium of training workshops, a number of young Indians are being trained in industrial skills, as motor mechanics, blacksmiths, carpenters, etc. As the funds available under the Expanded Programme of Technical Assistance were not sufficient, the I.L.O. undertook to ask employers' organisations, trade unions and certain governments to donate the equipment required for the setting up of these training workshops. As a result of gifts made by trade unions and employers' organisations from the United States, Germany, Belgium, Denmark, Norway and Sweden, about ten such training workshops are now being established in the above-mentioned localities. Their function is to produce, from an essentially rural population, semi-skilled and skilled workers who can be employed in industrial and mining establishments and thus, while making a direct contribution to the economic development of their countries, can ensure for themselves a very much higher income than they were accustomed to before undergoing this training. The present number of workshops is far less than is required to meet all the needs for skilled workers in the expanding industries of these countries. Each of the present centres covers a rather large area, and in order to provide the Andean Indians with the additional skills and know-how they need so that they may improve their agricultural production and participate in increasingly large numbers in the expanding industry of their countries, many more centres are needed to cover the vast areas inhabited by these populations. If this could be done - and the experience gained by the I.L.O. and other participating organisations shows that the cost is relatively low - the return, in terms of higher production and better quality goods, would be extremely rewarding.

31. In the broad field of action to raise productivity, the I.L.O. has special responsibilities for convincing employers and workers of the importance of such action, for convincing governments of the desirability of associating employers' and workers' representatives in national programmes undertaken with this end in view, and for providing assistance in the development and implementation of such programmes along lines which will encourage the active participation of employers, workers and the government

departments or agencies most closely concerned. As has been indicated above, this assistance normally includes a variety of advisory and training services, including in particular practical demonstration and training projects and specialised seminars or training courses for management, workers and some government officials in certain of the techniques which can be used to raise productivity (especially techniques such as work study and production planning which involve at almost every stage questions affecting the allocation of responsibilities and duties within individual undertakings, job content and work methods and, in general, the relations between management and workers). There is however need for other forms of assistance in this field which the United Nations is better equipped and more competent to provide than the I.L.O. These include assistance relating to over-all economic planning as it affects productivity, to planning of development at the industry level, including such matters as the number and location of plants, and to the provision of advisory and training services for the managements of individual plants in such matters as the location, financing, building and equipping of the plant and in such techniques as market research, cost accounting and quality control, in respect of which special knowledge of labour problems and of management problems in relation to labour is of secondary importance. Continuing co-operation between the United Nations and the I.L.O. in this field will therefore be necessary; and an increase in the resources available for broad and sustained programmes of management development and productivity improvement will greatly increase the scope for co-operative action.

III

Organisational Arrangements

32. In regard to the nature and extent of the contribution which the International Labour Organisation can make to the achievement of the purposes of the proposed Special Projects Fund, it is possible to be specific and forthcoming at this stage. The existing experience of the I.L.O. amply demonstrates how great are the needs within the immediate sphere of responsibility of the I.L.O. which must be met to permit of securing a full return on large-scale investment in economic development under the conditions of political stability and social progress necessary for the success of investment policies and programmes. In regard to questions of an organisational character it is necessary to be more tentative at the present stage in the elaboration of plans for the proposed Fund, but there are a number of general principles which it would seem important to keep in mind from the outset.

General Relationship between Special Projects Fund and Existing Technical Assistance Programmes

33. A problem will arise in defining the scope of the Special Projects Fund in relation to other sources of technical and financial assistance for economic development. While the scope of the Fund remains to be defined and there are differences of view on the subject which have still to be reconciled, it is already clear that the Fund is not designed to be either merely an increase in the scale of the resources available for existing forms of technical assistance or a source of grants in aid of capital expenditure for purposes of economic development. An increase in the scale of the resources available for existing forms of technical assistance could be achieved, and would be more appropriately sought, by increasing the resources available to the Expanded Programme; the provision of grants-in-aid of capital expenditure would require a much larger fund than is at present envisaged. The Special Projects Fund is designed essentially to fulfil an intermediate function of providing for certain special types of assistance desirable to facilitate investment which cannot be adequately provided for under the existing arrangements. It is most desirable that these types of assistance should be defined with sufficient precision to avoid a situation in which projects of essentially the same nature are being handled under different schemes by different procedures as the result of such accidental factors as the exact circumstances in which the project was initiated, the relative resources and obligations of the two schemes at a particular time, and similar considerations. Among the elements in such a definition might

be the scale of the resources required for a project and the closeness of its relationship to prospective investment. It may be that in certain cases one stage in the handling of a particular problem may be appropriate for assistance under the Expanded Programme and another stage for assistance from the Special Projects Fund, but any such distribution of responsibility should rest on some intelligible principle which is sufficiently clear and simple to be susceptible of continuing practical application and not upon decisions of a purely ad hoc character.

34. One element in the situation which should be watched with special care is the undesirability of assistance of the same type being available under the two schemes in comparable circumstances on different conditions. If, for instance, the conditions concerning the degree of support to be contributed to a project by the beneficiary government were different under the two schemes the rational and economical administration of both schemes might be seriously prejudiced. These are matters in which the International Labour Organisation has a substantial interest in view of its continuing concern that co-operative programmes of the United Nations and the specialised agencies which have a direct bearing on its own work and responsibilities should be developed in an orderly manner which will facilitate the effective and economical discharge of its own responsibilities, but they are not matters in respect of which it can appropriately make suggestions of a detailed character.

Arrangements to Facilitate the Most Effective Co-operation between the International Labour Organisation and the Special Projects Fund

35. The details of the arrangements desirable to facilitate the most effective co-operation between the International Labour Organisation and the proposed Special Projects Fund cannot usefully be considered until more is known of the prospective arrangements for the organisation of the Fund, but there are certain points of a general character which should, it is submitted, be kept in mind from the earliest stages of the planning of those arrangements.

36. The questions of general policy which will arise from time to time in regard to the operation of the Fund will frequently have a direct bearing upon, and be substantially influenced by, the nature and closeness of its relationships with the other international organisations which contribute directly to economic development. It is therefore important that the International Labour Organisation, together with other specialised agencies concerned such as the International Bank for Reconstruction and Development, should have appropriate opportunities of expressing its views on such questions of general policy as they arise.

In so far as such questions arise in the General Assembly, the Economic and Social Council, or any committee of the Economic and Social Council, such an opportunity exists in virtue of the arrangements of a general character which govern the relationships between the United Nations and the International Labour Organisation. If consideration of questions of general policy relating to the Special Projects Fund were to be entrusted to some new body to which the existing general arrangements for I.L.O. representation during the consideration of matters of interest to the I.L.O. are not directly and automatically applicable, it would seem advisable, and indeed necessary, to make appropriate provision for such representation when constituting any such new body.

37. It would be equally important to secure the closest co-operation and co-ordination in the day by day execution of policy. To some extent this would be done by routine liaison arrangements (possibly including in certain cases provision for the seconding or interchange of staff) on the lines which have already been developed for the maintenance of close inter-agency co-operation in respect of other matters involving action by a number of organisations. In the light of previous experience a full and prompt exchange of information on matters of mutual interest would be an important element in such effective liaison.

38. It would, however, be vital that such arrangements for routine co-operation should rest upon the foundation of the acceptance by the Secretary-General of the United Nations, the executive heads of the specialised agencies concerned, and the senior executive officer of the Special Projects Fund of a collective responsibility for ensuring that such co-operation and co-ordination is made fully effective. The Governing Body should, it is suggested, authorise the Director-General of the I.L.O. to accept his share in this responsibility, and draw attention to the desirability of the Administrative Committee on Co-ordination being kept fully informed of matters of importance bearing on the relationships between the Fund and other organisations with major responsibilities in respect of economic development.

"The Fullest Use Should be Made of the Existing Machinery."
(General Assembly Resolution 1219 XII)

39. The General Assembly resolution provides that, without impairing the separate identity of the Special Fund, the fullest use should be made of the existing machinery of the specialised agencies. It would seem desirable that the principles governing the operation of the Fund should indicate for its guidance certain principles concerning the manner in which this should be done. Some of the principles envisaged in the Scheyven Report concerning the Proposed Special United Nations Fund for Economic Development would appear to be apposite in this connection; they can be

readily adapted to the requirements of the Special Projects Fund, even though there may be divergences between the detailed arrangements for its organisation and administration and those envisaged in the Scheyven Report, and are suggestive of the principles which might be adopted for the Special Projects Fund.

40. One such principle is that applications relating to projects which fall within the sphere of a specialised agency and which are submitted to the Special Projects Fund by a government through or on the advice of the appropriate specialised agency after consultation with the senior executive officer of the Fund should be eligible for consideration and financing by the Fund.

41. As a matter of convenience it would also seem desirable to provide that an application submitted to the Special Projects Fund by the appropriate specialised agency on behalf of, and with the authority of, a number of governments jointly interested in a particular project after like consultation should also be eligible for consideration and financing by the Fund.

42. Before approving an application relating to a project falling within the sphere of a specialised agency the Fund should, it is suggested, be required to consult the specialised agency concerned. Such an arrangement is essential to avoid duplication and confusion and ensure the availability to the Special Projects Fund of the advice of the appropriate specialised agency on both questions of policy and technical matters relating to the contemplated project; it is also a necessary preliminary to the devolution to the appropriate specialised agency of subsequent responsibility for the administration and implementation of assistance in respect of approved projects within its sphere. It would not appear to be necessary or reasonable to require the Fund to consult the appropriate specialised agency in all cases before rejecting an application which it regards as clearly falling outside its scope or being of insufficiently high priority to justify detailed examination, but it should have a discretion, and be encouraged, to consult the appropriate specialised agency in doubtful cases.

43. When a project falling within the sphere of a specialised agency is approved, the appropriate specialised agency should be fully responsible for the administration and implementation of the assistance provided by the Fund. While this would be the most efficient and economical arrangement, and would be the only manner in which governments could be protected against inconsistencies and divergencies of policy in respect of matters for which primary responsibility rests with a particular specialised agency, it must be appreciated that provision for the full reimbursement of all the costs incurred, including administrative costs relating to the servicing of such projects, would be a necessary condition of such an arrangement; it would be neither practicable

nor equitable to attempt to absorb such costs in the normal budgets of the agencies entrusted with projects by the Fund. Wherever practicable, the funds required for the completion of a project should be guaranteed by the Fund before the project is undertaken, even though the implementation of the project may spread over more than one financial period.

44. The inclusion of some such principles in the resolution to be adopted by the General Assembly when establishing the Fund would, it is suggested, lay an appropriate basis for the development of methods of co-operation which would comply with the requirement of the 1957 General Assembly resolution that "the fullest use should be made of the existing machinery of the specialised agencies".

45. The General Assembly resolution also provides for the fullest use of the existing machinery of the Expanded Programme of Technical Assistance. Recommendations on this matter are being made by the Executive Chairman of the Technical Assistance Board, and it is anticipated that they will cover such matters as provision for the full use of the existing field services of the Technical Assistance Board. The Executive Chairman of the Technical Assistance Board will have an important part to play as a link between the Expanded Programme and the Special Projects Fund. While direct relations between the Special Projects Fund and the specialised agencies concerned will be necessary, particularly in regard to individual projects falling within the sphere of a specialised agency, there will be many matters in regard to which it will be desirable that there should be a recognised and regular channel of communication between the Expanded Programme and the Special Projects Fund and it is suggested that the Executive Chairman, who is responsible jointly to all the organisations participating in the Expanded Programme and can therefore be accredited to act for them collectively in matters relating to that programme, should be entrusted with this function. It would follow from this principle that if a small advisory committee, including representatives of the United Nations and the International Bank, should be created as part of the arrangements for the administration of the Special Projects Fund, the Executive Chairman of the Technical Assistance Board should be a member of this Committee.

Effect on Present Arrangements for the Financing and Administration of the Expanded Programme

46. The possible effects of the creation of the proposed Fund on the present arrangements for the financing and administration of the existing Expanded Programme of Technical Assistance call for the most careful examination. It will be convenient to consider separately finance and administration.

47. One of the recurrent problems experienced throughout the operation of the Expanded Programme of Technical Assistance has been the uncertain amount of the resources which will be available from time to time for the programme and the consequent difficulty of planning over sufficiently long periods to secure the best results. The creation of the Special Fund is liable to introduce a new element of uncertainty into the position. It has been suggested that pledges in respect of both the Expanded Programme and the proposed Special Fund would be sought from governments at a single pledging conference and that it would be open to each government to determine fully the extent of its contribution to each fund. While there may be substantial grounds of policy for proceeding in this manner, it would seem important, in the event of this course being adopted, that appropriate precautions should be taken to ensure reasonable stability and a reasonable rate of growth in the existing expanded programme. A situation in which an unanticipated allocation of funds between the Expanded Programme and the Special Projects Fund made necessary a sudden cutback in the Expanded Programme would compromise rather than promote the objectives of both programmes. It does not seem inconceivable that the allocation of funds between the Expanded Programme and the Special Projects Fund should be determined in advance by some formula which would be binding on contributing governments so as to secure an appropriate relationship between the two funds; there is in a sense a precedent for such an arrangement in the provision contained in the rules governing the Expanded Programme that contributions must be made without limitation as to use by a specific country or for a specific project. If such an arrangement should not be practicable, it may well be that, while discretion in regard to the amount and allocation of pledges should be left to the contributing governments, governments should be given some guidance by the Economic and Social Council or in some other appropriate way concerning the proportions of their total contributions which it would be convenient for them to allocate to each of the two funds; contributions not specifically allocated by the contributing government might be allocated in those proportions, subject possibly to some compensating device permitting of the allocation of such contributions in such a manner as to secure the desired relationship between the total amounts of the two funds. These are matters to which the Preparatory Commission and the Economic and Social Council will no doubt wish to give special attention; they are raised now solely for the purpose of focussing attention upon the importance of maintaining reasonable stability and a reasonable rate of growth in the existing Expanded Programme.

48. Another series of problems may arise from the fact that, while the arrangements for the administration of the Special Projects Fund are likely to diverge from the arrangements for the administration of the Expanded Programme, there is a widespread desire, reflected in the terms of paragraph 3 of the General

Assembly resolution, to establish a close relationship between the two programmes. In this connection, it may be proposed that the functions entrusted to the Economic and Social Council in respect of the Expanded Programme and whatever functions may be entrusted to it in respect of the Special Projects Fund should be entrusted to the same committee of the Council. There would appear to be every advantage in such an arrangement, but its successful operation would appear to be dependent on a clear recognition from the outset that while the functions of the Council in respect of the two programmes are exercised by the same body they differ in character. The existing relationships between the Economic and Social Council and the specialised agencies participating in the Expanded Programme in respect of the administration of that programme represent a compromise which has grown out of the intrinsic nature of the problems presented by the administration of the programme and which works in practice in a reasonably satisfactory manner. One essential element in the problem is the closeness of the relationship between the Expanded Programme and the discharge by the specialised agencies of the responsibilities entrusted to them by their constituent instruments. In view of these factors it appears undesirable to make any change at this stage in the arrangements for the administration of the Expanded Programme; the attribution to the same committee of the Economic and Social Council of functions in relation to both programmes does not in itself call for such a change even though the functions conferred upon the committee in respect of the Special Projects Fund may differ from those at present exercised by the Technical Assistance Committee in respect of the Expanded Programme, and no such change appears to be necessary to secure proper co-ordination between the two programmes. If functions in relation to the two programmes are not entrusted to the same committee of the Economic and Social Council, this particular question will not arise.

IV

Conclusions

49. In the light of the varied considerations which have been reviewed, it would seem appropriate that the International Labour Organisation should, in response to the invitation of the General Assembly, formulate the following comments and suggestions concerning the proposed Special Projects Fund.

50. The International Labour Organisation should inform the Preparatory Commission and the Economic and Social Council of its desire and willingness to co-operate in the achievement of the purposes of the proposed Fund.

51. The International Labour Organisation should draw attention to the desirability, when defining as requested by the General Assembly resolution the basic fields of assistance which the Special Fund should encompass, of having full regard to the considerations set forth in paragraphs 6 to 30 above, and more particularly of giving appropriate emphasis to the importance of manpower development and techniques for raising productivity as essential elements in programmes of systematic and sustained assistance to facilitate sound investment.

52. The International Labour Organisation should also draw attention to the importance of defining with sufficient precision the types of assistance to be provided by the Special Projects Fund and ensuring that assistance of the same type is not available under different schemes on different conditions.

53. The International Labour Organisation should have appropriate opportunities of expressing its views on questions of general policy relating to the operation of the Special Projects Fund.

54. The Director-General of the I.L.O. should accept his share in a collective responsibility of the Secretary-General of the United Nations, the executive heads of the specialised agencies concerned, and the senior executive officer of the Special Projects Fund for ensuring that co-operation and co-ordination between the Fund and the existing organisations is made fully effective; the Administrative Committee on Co-ordination should be kept fully informed of matters of importance bearing on the relationships between the Fund and other organisations with major responsibilities in respect of economic development.

55. The principles governing the operation of the Special Projects Fund should indicate for its guidance principles designed to ensure that the fullest use is made of the existing machinery of the I.L.O. and other specialised agencies, including the principle that the I.L.O. should be consulted before the Special Projects Fund approves any project within the sphere of the I.L.O. and the principle that when a project falling within the sphere of the I.L.O. is approved, the I.L.O. should be fully responsible, on the basis of reimbursement of all the costs involved, for the administration and implementation of the assistance provided by the Fund.

56. The Executive Chairman of the Technical Assistance Board should be a member of any advisory committee which may be constituted to advise on matters relating to the administration of the Special Projects Fund and appropriate arrangements should be made to utilise fully for the purposes of the Fund the existing machinery of the Expanded Programme of Technical Assistance, including its field services.

57. Appropriate precautions should be taken to ensure that the financial and administrative arrangements adopted in respect of the Special Projects Fund do not prejudice reasonable stability and a reasonable rate of growth in the Expanded Programme of Technical Assistance.

58. While there may be distinct advantages in entrusting to the same committee of the Economic and Social Council the existing functions of the Council in relation to the Expanded Programme and any new functions which may be conferred upon it in connection with the proposed Special Projects Fund, no change should be made in the existing functions, powers or procedures of the Council in relation to the Expanded Programme in so far as the relations between the Council and the specialised agencies are concerned. If functions in relation to the two programmes are not entrusted to the same committee of the Economic and Social Council, this particular question will not arise.

Geneva, 17 February 1958

UNITED NATIONS



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NEW YORK

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FILE NO. 1

28 February 1958

Dear Mr. Sommers,

In the absence of Mr. de Seynes, I am writing to acknowledge receipt of your letter of 19 February and to thank you for the enclosed additional comments on the draft paper on the Special Fund. Your letter was only received last night, but I had got the gist of the comments earlier from Enrique.

The paper will come out today as a document and I will be sending Enrique a few copies.

Yours sincerely,

Ralph Townley

Ralph Townley
Special Assistant to the
Under-Secretary for Economic and Social Affairs

Mr. Davidson Sommers
Vice-President
International Bank for Reconstruction
and Development
1818 H Street, N.W.
Washington 25, D.C.

RECEIVED

MAR 3 11 18 AM 1958



SECRETARY-GENERAL

28 February 1958

MAR 4 REC'D

File
4/18/58

Dear Sir:

I have been told of your enquiries about the next meeting of the Administrative Committee on Co-ordination, and want to say how much I appreciate your thoughtfulness. It would be good to have you at the meeting, particularly for the discussion of the Special Fund, but I do not believe that it is essential, and I would certainly be most unhappy to think of you making the return journey to Europe on this account almost immediately after you get back from your forthcoming extensive trip. There will be a useful opportunity for exchanging views with our Europe-based colleagues at the ACC, but that discussion cannot really affect the purposes or the structure of the Fund, which will already have been thrashed out at the inter-governmental level, and I do not foresee at this stage much divergence as regards relations between the Fund and the Expanded Programme.

I want to thank you for the reception accorded to Trevelyan when he was in Washington. I note with satisfaction that you are proceeding along the agreed lines.

I look forward to seeing you here on 17 April.

With kind regards,

Dag

Dag Hammarskjöld

Mr. Eugene R. Black,
President,
International Bank for Reconstruction
and Development,
1818 H Street, N.W.,
Washington 25, D.C.



SECRETARY-GENERAL

28 February 1958

I have been told of your enquiries about the next meeting of the Administrative Committee on Co-ordination, and want to say how much I appreciate your thoughtfulness. It would be good to have you at the meeting, particularly for the discussion of the Special Fund, but I do not believe that it is essential, and I would certainly be most unhappy to think of you making the return journey to Europe on this account almost immediately after you get back from your forthcoming extensive trip. There will be a useful opportunity for exchanging views with our Europe-based colleagues at the ACC, but that discussion cannot really affect the purposes or the structure of the Fund, which will already have been thrashed out at the inter-governmental level, and I do not foresee at this stage much divergence as regards relations between the Fund and the Expanded Programme.

I want to thank you for the reception accorded to Trevelyan when he was in Washington. I note with satisfaction that you are proceeding along the agreed lines. I look forward to seeing you here on 14 April.

Yours faithfully,
Dag Hammarskjöld

Mr. Eugene R. Black,
President,
International Bank for Reconstruction
and Development,
1818 H Street,
Washington 25, D.C.

MAR 3 3 31 PM 1958

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FILE NO.: EC 132/221(2)

28 February 1958

Dear Enrique,

*retained
by Dr. Lopez*

... As promised, three copies of the Secretary-General's
paper on the Special Fund.

Yours sincerely,

Ralph.

Ralph Townley

Mr. E. Lopez-Herrarte
International Bank for Reconstruction
and Development
1818 H Street, N.W.
Washington 25, D.C.

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February 28, 1958

Mr. Martin Hill
Deputy Under-Secretary
for Economic and Social Affairs
United Nations
New York, N. Y.

Dear Mr. Hill:

✓
Thank you for your letter of February 20, enclosing copies of draft papers proposed to be submitted by the Secretary-General to the Preparatory Committee on the Special Fund, concerning fields of assistance and types of projects, and concerning administrative and operational machinery. The draft papers propose certain arrangements designed to bring about close cooperation between the Bank and the Special Fund, and you ask whether these arrangements would, if adopted, be generally acceptable to the Bank.

The proposals have been the subject of preliminary discussion by our Executive Directors. Because the suggested arrangements are necessarily tentative at this stage, and are to be formally considered by governmental representatives on the Preparatory Committee, the Executive Directors were not asked at this time to approve the proposals officially on behalf of the Bank. However, the tenor of the discussion was such as to provide reasonable assurance that, if the proposal ultimately adopted conforms generally to the draft provisions, and if the management of the Special Fund is satisfactory to the Bank, the Executive Directors would be prepared to authorize the Bank to cooperate with the Special Fund in the manner now proposed.

Sincerely yours,

(Signed) Davidson Sommers

Davidson Sommers
Vice President

SB:mo 

Mr. Chairman,

Brazil

UN Resolution
Topic

Under item 6 of the Agenda - financing of economic development - this Committee will consider the following documents :

- a) the final report of the ad hoc committee on the question of the establishment of a Special United Nations Fund for Economic Development, prepared in accordance with General Assembly Resolution 923 (X), together with the supplementary report of the Committee prepared in accordance with General Assembly Resolution 1030 (XI);
- b) a report prepared by the Secretary-General, pursuant to General Assembly Resolution 824 (IX) as amended by General Assembly Resolution 1035 (XI), containing a review of the development in governmental measures affecting the international flow of private capital, and a statistical treatment of this flow; and finally
- c) this Committee will consider the informations furnished by the Secretariat, pursuant to General Assembly Resolution 1034 (XI), on the question of collecting data on the international economic assistance for the less developed countries.

With regard to SUNFED neither the final report of the ad hoc committee nor the supplementary report are in the nature of changing the position assumed by my Government in the General Assembly and in ECOSOC. This position is based on the following principles :

principles :

- a) it is a matter of urgency the provision of a larger financial help to underdeveloped countries, since the creation in those countries of the economic and financial preconditions for development cannot be effected either by foreign private capital movements or by loans of a strictly banking nature such as those provided by the International Finance Corporation and the International Bank for Reconstruction and Development;
- b) the contributions to SUNFED must obey principles of progressive taxation, since the adoption of a simple proportional basis of assessment of contribution would result on the one hand that underdeveloped countries would diminish their rate of capital formation and on the other hand that advanced countries would condition the magnitude of their contributions to the limited participation of less developed countries.

Although my Government is very sceptical on the present possibilities of establishing such a fund, especially now that a Special Committee of the United States Senate is considering the administration of a similar fund for external financial aid to be provided on a bilateral basis by the United States of America, my Government, Mr. Chairman, continues to support SUNFED as a matter of principle.

As for the international and national measures to increase the flow of private capital for economic development, my Government thinks that this objective can only be realistically implemented through a fundamental revision of the statutes and methods of operation of the Bretton Woods institutions, especially the International Bank for Reconstruction and Development.

Development.

As it was already said by my Delegation during the general debate on item 2 (a) of the Agenda, it is a matter of most serious concern to my Government the present state of disadjustment between the frames of action of both the International Monetary Fund and the International Bank for Reconstruction and Development, and the particular set of conditions and means for action prevailing in the economic and social spheres of the world today.

In the first place, my Government finds that the scale of operations of the Bank is much too limited. Although its current rate of lending per year is somewhat higher than it has been in the past, the Bank's loans to really underdeveloped countries do not average more than one hundred million dollars a year.

The principal reasons why the Bank's operations have been limited in scope and disproportionate to the capital needs for development are the following :

- a) because the Bank draws funds mainly from the United States money market it has to act in accordance with the institutional rules for financial soundness prevailing in that market, and those rules, although adequate to the economic and social setting of the United States, do not easily fit into a proper method for conducting promotional lending;
- b) the Bank does not engage itself in equity financing and its loans must be underwritten by governments through national treasuries, national development banks or central banks : this is so because the Bank must preserve vis-à-vis its bondholders a credit standing that conducts it into a most timid behaviour of risk taking policy towards its most need-

needful members, the really underdeveloped countries;

- c) it was the original intention and hope at Bretton Woods that the Bank would act as a "pump primer" to induce the appearance of the necessary amount of private capital by which help the larger part of the development financing would be provided : this intention and hope have materialized only to the very limited scale of the newly founded International Finance Corporation, for the Bank by itself did not fulfil this intention and hope.

In view of these reasons, my Government thinks that the International Bank should be permitted to amplify its lending operations to the limit of its available funds for worth-while projects that had been adequately planned by cooperation between the Bank and the governments of underdeveloped countries. One must not forget that when a country is underdeveloped it is underdeveloped even in ability to spell out their economic aspirations in terms of well prepared and well-planned credit-worthy projects ready for immediate execution.

Moreover, the Bank should be entitled to extend its activities in such a way as to induce a greater and more regular flow of private capital, an objective which the International Finance Corporation could help the Bank to fulfil. This aim could also be attained by permitting the Bank to acquire loanable funds in countries other than the United States, and by so doing to act as a catalytic agent for creating or inducing the appearance in the international money market of a larger flow of private capital.

As for the International Monetary Fund, my Government would like to see it in full performance of its intended rôle, that is, to promote international monetary cooperation, to facili-

facilitate the expansion and balanced growth of international trade, to promote exchange stability, and to assist in the establishment of a multilateral system of payments free of exchange restrictions. The Fund, however, was created by the economically advanced countries. It is based on theories which have value only for those countries. It was, therefore, bound from its very beginning to provide solutions to the economic problems of the industrialized countries. Its machinery lacks in instrumentation adequately to deal with the balance of payments problems of less developed countries. Due to the low price-elasticity of demand for primary products exports, and due to the wide short-term fluctuations in the prices of those primary products, the Fund, disconnected from the Bank and misconnected with GATT, has been unable, in spite of its good intentions, to exert much more than a token effect on the readjustment of balance of payments of underdeveloped countries.

In view of these circumstances, my Government is at present contemplating to pursue, within the United Nations, the objective of initiating discussions conducive to a revision - if such is found to be necessary - of the principles of action upon which these two agencies - the International Bank and the Monetary Fund - have been operating since their creation at Bretton Woods.

In stating its aim in such a way, my Government wishes to make clear the following qualifications :

Firstly, it is the intention of the Brazilian Government to initiate discussions which may eventually conduct to a modification of policies or to a revision of the very foundations of these agencies, or even to the maintenance of the present statu quo of these institutions. This, however, does not in any way signify that my Government is criticizing, as mistaken, former

former actions of the Fund and the Bank, since it recognizes that, within the conditions and circumstances peculiar to a world emerging from a war of unseen proportions, these two agencies have done their best to fulfil their objectives. The point my Government wishes to emphasize is that those conditions and circumstances in their greater and most important part no longer prevail, and that, therefore, the Bank as well as the Fund must be submitted to a thorough examination by member Governments to determine whether or not, under present conditions and circumstances, their operating principles and terms of reference should be maintained, amplified or revised.

Secondly, my Government wishes strongly to stress that by so doing, that is, by inviting Governments to examine the structures and policies of the Bank and the Fund, it is certainly not its intention to preclude the necessity of such a revision. It may very well be the case that, after a detailed examination being conducted on the statutes and operation of these two agencies, it is found that either the alterations of the world economic and social conditions since the war are not sufficiently great or important, they have not yet attained that point of ripeness beyond which the proposed revision would be not only imperative but most fruitful. My Government thinks that this is the right time for the United Nations to make an effort to enlarge the scale of operations of the Bank, as well as to modify the mechanism of the Fund in such a way as to counteract by means of compensatory short-term capital movements the fluctuations in the exchange proceeds of primary products exporting countries. This is the view of the Brazilian Government. Other Governments may have other views on the matter. What my Government aims, Mr. Chairman,

Chairman, in bringing to the attention of ECOSOC its intention to invite the United Nations to re-examine the principles and operations of the Bretton Woods institutions is simply to bring forward to open debate the fundamental question whether the present international instrumentation for financing economic development is the best fully to attain this aim.

Thirdly, and finally, my Government does not intend to initiate the action conducive to this revision within ECOSOC. Therefore, my Delegation will not submit to this Council a draft resolution on the subject. There is no longer time enough for delegates sitting around this table to consult with their superiors at home. In these circumstances, the presentation by my Delegation of a draft resolution asking for the re-examination of the structures and modes of operation of the Bretton Woods institutions, could very well lead to hasty decisions and to the premature rejection of a measure to which my Government attaches the utmost importance.

My Government is considering the convenience of requesting the inclusion in the agenda of the forthcoming session of the General Assembly of an item which, if accepted, will start studies leading to a report by a joint group of representatives of Governments, of members of the Secretariat of the United Nations, members of the staff of the Fund and the Bank, and representatives of the Commission on International Commodity Trade. The main purpose of such a report is to determine whether the world's economic situation has changed sufficiently from the situation prevailing in the immediate post-war period to indicate that a major revision of the statutes and policies of the Fund as well as the Bank can no longer be avoided.

If such a revision is found to be necessary, as my Government thinks it is, the second task of this working group should be to indicate the most appropriate ways and means to conduct the proposed examination. If, in pursuing this second task, the working group reaches the conclusion that what is now needed is no more than a broadening of the present statutes and policies of the Bank and the Fund, the ECOSOC itself might be entitled to report to the General Assembly on the appropriate actions leading to this objective. If, however, the working group finds that the proposed revision entails fundamental modifications in the statutes and policies of the Bank and the Fund, the ECOSOC itself might be entitled to report to the General Assembly on the appropriate actions leading to this objective. If, however, the working group finds that the proposed revision entails fundamental modifications in the statutes and policies of the Fund and the Bank, then the General Assembly, at its 1958 session, might consider the appropriateness to convene a world conference of finance ministers to consider and to decide how this fundamental revision should be realized.

This is the general outline of action proposed by my Government in dealing with item 6 of the Agenda for the present session of ECOSOC.

Thank you, Mr. Chairman.

MAR 11 2025

**FOR
EXECUTIVE
DIRECTORS'
MEETING**

WBG ARCHIVES

CONFIDENTIAL

R 58-16/1

(For consideration by the
Executive Directors on
February 26, 1958)

FROM: The Secretary

February 24, 1958

UNITED NATIONS SPECIAL PROJECTS FUND

The attached letter, dated February 20, 1958, from the
Deputy Under-Secretary for Economic and Social Affairs,
United Nations, forms part of the papers circulated today
as R 58-16.

Attachment

Distribution:

Executive Directors and Alternates
President
Vice Presidents
Department Heads

UNITED NATIONS

NATIONS UNIES
New York

20 February 1958

Sir,

.... I have the honour to refer to General Assembly resolution 1219 (XII),
a copy of which is enclosed. By this resolution the General Assembly
decided to establish a Special Fund which would provide systematic and
sustained assistance in the fields essential to the integrated technical,
economic and social development of the less-developed countries; and the
Secretary-General was invited to forward his views and suggestions to the
Preparatory Committee for the Special Fund. I attach, for your informa-
.... tion, drafts of papers on the fields of assistance and types of projects,
and on the administrative and operational machinery of the Special Fund,
which will form the main part of the memorandum to be submitted by the
Secretary-General to the Committee.

The Secretary-General attaches the greatest importance in the con-
duct of the Special Fund's operations to close co-operation between the
Special Fund and the International Bank and proposes certain arrangements
in the attached papers which, in his view, would enable this co-operation
to be most effective.

He would be glad to know whether these proposals concerning the ex-
tent and nature of the co-operation of the Bank with the operations of
the Special Fund would, if adopted, be generally acceptable to the Inter-
national Bank.

Accept, Sir, the assurances of my high consideration.

/s/ Martin Hill

Martin Hill
Deputy Under-Secretary
for Economic and Social Affairs

Mr. Davidson Sommers
Vice President
International Bank for Reconstruction
and Development
1818 H Street, N.W.
Washington 25, D. C.

ROUTING SLIP

Date

July 28, 1958

OFFICE OF THE PRESIDENT

NAME

ROOM NO.

~~Mr. Demuth~~

~~Mrs. Bailey~~

Action

Note and File

Approval

Note and Return

~~Comment~~

Prepare Reply

Full Report

Previous Papers

☒ Information

Recommendation

Initial

Signature

Remarks

From

D.S.

Mr. Morton M. Mandels

February 24, 1958

Enrique Lopez-Herrarte

United Nations Special Projects Fund

The attached documents concerning the proposed United Nations Special Projects Fund were received today from the United Nations. The President would like to have an informal discussion on these papers at the Executive Directors' meeting to be held on February 26. The Preparatory Committee organized by the General Assembly will convene in New York on March 11, and it will be necessary for the Bank to determine its position formally prior to that date.

ELH/ga

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

DECLASSIFIED

**FOR
EXECUTIVE
DIRECTORS'
MEETING**

MAR 11 2025

CONFIDENTIAL

WBG ARCHIVES

R 58-16

(For consideration by the
Executive Directors on
February 26, 1958)

FROM: The Secretary

February 24, 1958

UNITED NATIONS SPECIAL PROJECTS FUND

The attached documents concerning the United Nations Special Projects Fund were received today from United Nations. Inasmuch as the Preparatory Committee organized by the U.N. General Assembly is convening in New York on March 11, and it will be important for the Bank to determine its formal position prior to that date, the President wishes to have a **first discussion** of these documents at the meeting of Executive Directors on Wednesday, February 26.

Attachments

Distribution:

Executive Directors and Alternates
President
Vice Presidents
Department Heads

Sec. 58-67

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MAR 11 2025

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UNITED NATIONS

General Assembly

Distr.
LIMITED
A/AC.93/L.2
24 February 1958

Preparatory Committee for
the Special Fund

New York, 11 March 1958

Views and suggestions of the Secretary-
General in response to General Assembly
resolution 1219 (XII)

Introduction

1. In its resolution 1219 (XII) the General Assembly invited the Secretary-General to present his views and suggestions:

(a) on the basic fields of assistance which the Special Fund to be established under resolution 1219 (XII) should encompass and, within these fields, the types of projects which should be eligible for assistance;

(b) on the administrative and operational machinery to be recommended for the Special Fund.

2. In the formulation of these views and suggestions, account has been taken of the debates in the General Assembly concerning the needs of under-developed countries and the future direction of the technical assistance activities of the United Nations, as well as of the discussions on the Special Fund which led to the adoption of resolution 1219 (XII).

3. Furthermore, in formulating his views and suggestions on the administrative and operational machinery of the Special Fund, the Secretary-General has drawn on the experience of existing United Nations

programmes operating on the basis of extrabudgetary funds as well as on some of the work of earlier committees which have studied extensively questions of administrative and operational machinery in connection with a capital development fund; although the Special Fund is not a capital investment fund, some of the features of the operational machinery envisaged by earlier committees may be borne in mind.

Section 1. Basic fields of assistance and
types of projects

4. Resolution 1219 (XII) indicates the purposes of the Special Fund and its relation to the Expanded Programme of Technical Assistance, when it states that:

(a) neither the Expanded Programme nor other existing programmes of the United Nations or the specialized agencies can now meet certain urgent needs which, if met, would advance the processes of technical, economic and social development of the less developed countries, and, in particular, would facilitate new capital investments of all types - private and public, national and international - by creating conditions which would make such investments either feasible or more effective;

(b) the Special Fund is to be a separate fund, established as an expansion of the existing technical assistance and development activities of the United Nations and the specialized agencies, which would 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 available at this time, which are not likely to exceed \$100 million annually, the operations of

the Special Fund shall be directed towards enlarging the scope of the United Nations programmes of technical assistance so as to include special projects in certain basic fields to be defined by the Preparatory Committee.

5. From these indications, a number of criteria may usefully be derived, for distinguishing the operation of the Special Fund from that of the Expanded Programme of Technical Assistance in a way conducive to the orderly management and co-ordination of both programmes. It does not seem, however, indispensable, nor indeed feasible, to set out such criteria too precisely or too rigidly. The suggestion below that the Executive Chairman of the Technical Assistance Board be a member of the Joint Advisory Committee to the chief executive officer of the Special Fund is in recognition of the importance of maintaining the closest co-ordination between the operations of the Special Fund and those of the Expanded Programme.^{1/}

6. It may be useful to contrast the criteria underlying the operations of the Special Fund with those of the Expanded Programme as follows:

(a) in contrast to the Expanded Programme of Technical Assistance, which, in order to take account of the wide variety of needs, and of opportunities for technical assistance, has had to spread its resources over a large number of projects, the Special Fund would concentrate its resources on a more limited number of projects involving relatively heavier individual budgetary commitments. This is not to say that cost alone should serve as a yardstick to distinguish between a Special Fund

^{1/} See paragraph 34.

project and an Expanded Programme project; but a difference in financing methods - such as diversified versus concentrated spending - could, in many cases, constitute a criterion;

(b) in contrast to the Expanded Programme and as a consequence of the distinction noted above, the Special Fund could undertake projects involving investigations of considerable scope or depth;

(c) in contrast to the Expanded Programme, and as a consequence of (a) and (b) above, the Special Fund would encompass in its activities projects requiring a higher degree of sustainment, i.e., involving commitments over longer periods of time, than has been possible hitherto. Conversely, as fellowship programmes fit naturally within the existing technical assistance activities, the Special Fund would not normally provide such assistance except to meet particular needs inherent in the execution of a specific project financed by it;

(d) in contrast to the Expanded Programme and as a further consequence of the above, the Special Fund's activities would include, in addition to projects intended to bring direct benefits to one country only, an appreciable number of projects involving several countries or even entire regions. Although the distribution and utilization of the Special Fund's resources will be based on government requests, it is not foreseen that the country programming procedures under the Expanded Programme would apply.

7. The desirable relationship of the two programmes should not, however, be lost sight of on account of these distinguishing features; they are closely related and are likely to prove particularly fruitful when they can be mutually supporting. Requests for assistance under the

Special Fund will frequently grow out of recommendations of experts working under the Expanded Programme. Conversely, projects under the Special Fund may give rise to activities under the Expanded Programme.

8. Similarly, since the Special Fund is intended to lay the basis for investment, the work of the International Bank for Reconstruction and Development, which has acquired a vast experience in the financing of economic development, will, in a number of cases, have a bearing on its activities. In some instances projects may come after earlier Bank investigation or activities; in others, the work carried out with the assistance of the Special Fund may be considered by the Bank in making decisions as to financing. It is for these reasons that the suggestions made below about the structure of the Special Fund provide for the President of the International Bank for Reconstruction and Development to be a member of the Joint Advisory Committee.

9. The fact that the Special Fund's operations are to constitute an expansion of the present technical assistance activities should not obscure the fact that the limited resources of both programmes are not commensurate with the formidable requirements of economic development. However, the activities of the Special Fund should, within its limits, have an important impact by stimulating the undertaking of concrete projects and the planning or programming of further projects thus made possible. The Special Fund might finance exploratory or preliminary tests or studies in some multiple phase projects. As in the case of the Expanded Programme, it will not assist research of a purely academic nature. Its projects might involve, in addition to the provision of experts or appropriate staff, the financing of related purchases of equipment to a larger

extent than is possible under the present technical assistance schemes; yet the Special Fund, like the Expanded Programme, not being a capital fund, will obviously be unable to finance heavy capital expenditures. Again, as under the Expanded Programme, projects assisted by the Special Fund should be followed up and taken over by public or private organizations or enterprises.

10. The General Assembly has exemplified its wishes regarding the fields in which the Special Fund should provide assistance, by mentioning intensive surveys of water, mineral and potential power resources, the establishment, including staffing and equipping, of training institutes in public administration, statistics and technology and of agricultural and industrial research and productivity centres.

11. These examples offer some guidance as to the activities and types of projects which the Special Fund would assist. They are only a part of the vast range of activities essential to the integrated economic and social development of under-developed countries. Bearing in mind its prospective resources, the Special Fund is likely to make a greater impact in laying the basis for investment by concentrating on a few important kinds of activities. Also, the sphere of operations indicated for the Special Fund should be seen in the perspective of the efforts already being made by the Expanded Programme, by the United Nations (including its regional economic commissions), by the specialized agencies and by the various bilateral and regional programmes for technical assistance and financial aid.

12. Projects which the Special Fund would assist would seem to fall mainly into one of two categories, namely surveys of resources and

training and research facilities, which may, of course, be closely inter-related. They are referred to below in general terms only, since there is no advantage in setting out detailed examples of such projects in purely hypothetical form. Projects of a similar nature may differ considerably in details from place to place and such details could only be determined on the basis of the specific requests that will be received by the Fund.

13. It may be expected that the Special Fund would devote a substantial part of its activities to surveys relating to the development of natural resources. It is visualized that these would include surveys of water resources, mineral resources, land, soil and marine resources. The Special Fund might also assist in surveys relating to the establishment of transport facilities, particularly where the need for these was indicated as a result of surveys of basic resources mentioned above. The scale on which individual projects would be undertaken or assisted by the Special Fund would, of course, be limited by the total financial resources available to the Fund and the number of requests received by it. Costly exploratory and prospecting techniques would, presumably, not normally come within the scope of its operations.

14. Certain activities directly related to carrying out surveys of natural resources might also be considered eligible for assistance. Discovery of resources may require evaluation of potentialities and economic and social investigations relating to their development. For example, discovery of mineral resources might make it necessary to undertake a series of investigations of such problems as the economics of their production and marketing and of the engineering, transport, energy,

manpower and housing requirements. While many of these investigations might be assisted under the Expanded Programme, there would be projects of special significance for furthering economic and social development which would more appropriately be the concern of the Special Fund.

15. While surveys of resources would pave the way for investment, techniques and skills would be required to make investment both more feasible and more effective. Assistance in training and research would be extended mainly for establishing institutions of certain types of a national or regional scope, or for expanding existing ones. The purpose of such training institutions would be to increase the supply of skills at the requisite levels in the technological field as well as in such fields as management, statistics, economic and social surveys and public administration. Research institutions eligible for assistance from the Special Fund would presumably be those in fields directly relevant to development plans and programmes of high priority, such as industrial and agricultural research centres.

16. Some carefully chosen demonstration projects might also be assisted by the Special Fund to complement the work carried out by certain training and research institutions.

17. Various types of projects have been referred to above from the point of view of their eligibility for assistance from the Special Fund, irrespective of the agencies through which they might be carried out; while some of the projects might most appropriately be handled by the United Nations itself, others would fall within the competence of the specialized agencies.

Section 2. Administrative and operational
machinery of the Special Fund

18. The following views and suggestions are intended as an outline of possible solutions to some of the administrative and operational questions raised by the establishment of the Special Fund.

19. The Secretary-General would view the Special Fund as an extra-budgetary fund administered by a new unit within the United Nations Secretariat, in charge of programming and planning the operations of the Special Fund, under the policy guidance and subject to the final decisions of an intergovernmental executive organ, and relying to the greatest possible extent on existing facilities within the United Nations and the specialized agencies for the preparation and for the implementation of projects. This formula would seem to satisfy the General Assembly resolution which provides that the Special Fund shall be a separate fund which will require some new administrative and operational machinery; and that, without impairing the separate identity of the Special Fund, fullest possible use should be made of the existing machinery of the United Nations, the specialized agencies - including the existing international financial institutions - and the Expanded Programme of Technical Assistance.

20. Possible answers are explored below to some of the questions which arise relating to the following matters: legislative authority; the executive organ; administration of the Special Fund; working relationships with existing programmes and inter-agency coordination; procedures; and financial arrangements.

21. The question of working relationships with existing programmes and of inter-agency coordination arises at various stages of the structural arrangements and administrative procedures. Its various aspects are therefore taken up in connection with the other questions which are discussed below in the order mentioned in the preceding paragraph.

I. Legislative Authority

22. It is believed that the powers and functions pertaining to the legislative authority should be vested in two Principal Organs of the United Nations, i.e., the General Assembly and the Economic and Social Council. In the context of the present proposals, it would appear unduly cumbersome to create a new organ, as had been recommended by earlier committees.

23. As between the two Principal Organs, the distribution of functions could be conceived as follows: the Economic and Social Council would be the Organ responsible for the formulation of general rules and principles, the review of operations of the Special Fund on the basis of annual reports, and the consideration of the activities of the Expanded Programme of Technical Assistance and of the Special Fund in relation to each other. The General Assembly would review the activities of the Special Fund on the basis of the Annual Report of the Economic and Social Council to the General Assembly. It would be the Organ responsible for the modification or amendment of the basic instrument of the Special Fund, on recommendation of or after consultation with the Economic and Social Council.

24. Members of the executive organ of the Special Fund could be elected by the Economic and Social Council according to rules defined in the basic instrument of the Special Fund, i.e., the General Assembly resolution creating it. States not members of the United Nations but members of the specialized agencies could be eligible for membership on the executive organ. There should be no difficulty for such States in participating in the normal pledging procedures provided for by the General Assembly.

II. The Executive Organ

25. It is suggested that a small Executive Board consisting of ten to fourteen members be established. It would appear that the recommendation contained in the annex to the General Assembly resolution for equal representation on the Board of major contributors and of other Governments would apply.

26. The Board would decide on the projects submitted to it by the chief executive officer, authorize commitments, establish the policies of the Special Fund in accordance with the rules and principles laid down by the Economic and Social Council, review the Special Fund's administration and operations, and report to the Economic and Social Council.

27. Steps should be taken to ensure proper co-ordination of the activities of the Special Fund and of the Expanded Programme. With this end in view, it would seem desirable that the executive Board's annual report should be referred by the Economic and Social Council to its Technical Assistance Committee. In this respect also, consideration might be given to the selection of the Board from among members of the Technical

Assistance Committee.

28. The present type of Fund would not seem to call for continuous sessions of the Executive Board. While approval of projects would be given on a case by case basis, grouping of projects for submission to the Executive Board meeting for a limited number of sessions during the year would provide a better picture of the allocation of the Special Fund's resources and a better appraisal of the Fund's operations by Governments for the determination of their yearly contributions.

29. The chief executive officer of the Special Fund (cf. sub-section III below) would participate without vote in the deliberations of the Board. The members of the joint advisory committee (referred to in paragraph 34 below) should be invited to attend all meetings of the Executive Board but without vote. The Executive Board should also make appropriate arrangements for consultations with specialized agencies on matters within their competence.

III. Administration of the Special Fund

Chief executive officer

30. It is suggested that the Special Fund be administered by a chief executive officer, under the policies established by the Executive Board in accordance with the rules and principles laid down by the Economic and Social Council (cf. paragraph 26). The chief executive officer would report to the Executive Board and would submit to it programmes of operation. He would also prepare and submit annual reports on the administration of the Special Fund.

31. In view of the establishment of the Special Fund as an extra-budgetary organ of the United Nations, it is suggested that the chief executive officer be appointed by the Secretary-General of the United Nations, in consultation with the Executive Chairman of the Technical Assistance Board and the President of the International Bank, and subject to the approval of the Executive Board.

32. The chief executive officer would have the right to attend the meetings of the Technical Assistance Board.

33. The chief executive officer should remain in close touch and establish working relationships with all specialized agencies concerned with those fields of activity in which the Special Fund would operate.

Joint Advisory Committee

34. It is recommended that along the lines of the suggestion of the group of experts headed by Mr. Raymond Scheyven,^{1/} a Joint Advisory Committee be established, composed of the Secretary-General of the United Nations,

^{1/} Special United Nations Fund for Economic Development, General Assembly, Official Records, Tenth Session, Supplement No. 17 (A/2906), paras. 57-59.

the Executive Chairman of the Technical Assistance Board and the President of the International Bank, or their designated representatives. Membership of the Executive Chairman of the Technical Assistance Board would seem essential to ensure close cooperation with the Expanded Programme of Technical Assistance.

35. It would be the function of the Joint Advisory Committee to advise the chief executive officer on the formulation of the Special Fund's programme of operations in the light of information in the possession of the authorities composing the Committee and of applications submitted to the Special Fund.

Staff

36. The staff of the Special Fund should consist of a small group to assist the chief executive officer administer the programme. Under the direction of the chief executive officer, the staff would consult with appropriate bodies on the technical and substantive aspects of projects, submit to the Executive Board programmes of operation, analyze reports on projects, and subsequently submit reports to the Executive Board. For other services the chief executive officer would rely as far as possible on the existing facilities of the United Nations and the specialized agencies, including the facilities of the Technical Assistance Board. It is hoped that these facilities would be made available to the Special Fund without charge except when clearly identifiable additional expenses were involved.

IV. Procedures

37. Projects should be undertaken only at the request of a Government or group of Governments. Proposals could, however, be made by the chief executive officer after consultation with the Joint Advisory Committee and, whenever appropriate, with the Secretary-General of the United Nations and with the executive heads of the specialized agencies. In all cases, a request would have to be formulated by the Government or Governments concerned before final approval.

38. With the assistance of the Joint Advisory Committee, the chief executive officer would draw up a programme of operations on the basis of the technical evaluation of projects and within the limits of the resources expected to be available. For each particular project the programme would include: (a) a summary of its technical evaluation; (b) a proposed budget showing the financial implications of the project in their entirety; (c) a draft agreement regarding the implementation of the project and its control.

39. After examination of the proposals submitted by the chief executive officer, the Executive Board would take a final decision and authorize the chief executive officer to make the appropriate arrangements, including the conclusion of the appropriate agreements for the implementation of projects.

40. Projects would be implemented as far as possible by the United Nations and/or the particular agencies concerned. Control of implementation would be exercised to the greatest possible extent by existing field services and by the staffs of the agencies charged with responsi-

bility for execution of individual projects. The chief executive officer of the Special Fund would report on the status and implementation of projects to the Executive Board.

V. Financial Arrangements

41. The financial administration and management of the Special Fund should be governed by financial regulations which could be developed by the Secretary-General of the United Nations, in consultation with the chief executive officer, for review by the Executive Board. In accordance with accepted United Nations practice the regulations thus developed would be submitted to the Advisory Committee on Administrative and Budgetary Questions before coming into effect.

42. It would appear that regulations for the Special Fund could be similar to those already applicable to the Special Account for the Expanded Programme of Technical Assistance. If this were the case, the Special Fund would be operated under the custodial authority of the Secretary-General, who would be responsible for receipt, management and disbursement of all moneys, and would account for all financial transactions. The procedures concerning acceptance of contributions, investments, internal financial controls, accounts and financial reports, and external audit could also be comparable to those for the Special Account. An adaptation of existing procedures could be developed to provide for the acceptance and use of payments in local currency by recipient governments.

43. Modifications would be necessary, however, in the provisions for committing and obligating funds and possibly in respect of certain other

procedures. Specifically, authority should exist to approve programmes of more than one year's duration.

44. Also, if, as appears likely, the possibility should exist for an exchange of currencies between the Special Fund and the Special Account so as to assure maximum currency utilization, then authorization for such exchanges should be provided in the financial regulations.

45. The actual funds for financing the office of the chief executive officer should come under the same process of review and approval by the General Assembly as other special offices of the United Nations, for which budgetary provision is made. The funds could be obtained by a grant of funds to the United Nations budget by the Executive Board of the Special Fund.

46. As contributions will be made voluntarily on an annual basis, the Technical Assistance Pledging Conference, which is held every year, could be reorganized so as to include pledging for the Special Fund. The services of the General Assembly's Negotiating Committee for Extra-budgetary Funds could also be used.

General Assembly Resolution 1219 (XII)

Resolution Adopted by United Nations General Assembly
on December 14, 1957

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 resolutions on the establishment of an international fund for economic development within the framework of the United Nations and, in particular, reaffirming its unanimously adopted resolution 724A and B (VIII) of 7 December 1953,

Noting the recommendation of the Economic and Social Council in its resolution 662 B (XXIV),

Recognizing that the United Nations Expanded Technical Assistance Programme is of proven effectiveness in promoting the economic development of the less developed countries,

Recognizing, however, that neither the Expanded Technical Assistance Programme nor other existing programmes of the United Nations or the specialized agencies can now meet certain urgent needs which, if met, would advance the processes of technical, economic and social development of the less developed countries, and, in particular, would facilitate new capital investments of all types - private and public, national and international - by creating conditions which will make such investments either feasible or more effective,

Convinced that a rapidly achieved enlargement in the financial resources and scope of technical assistance rendered by the United Nations and the specialized agencies to the less developed countries would constitute a constructive advance in United Nations assistance and would be of immediate significance in accelerating their economic development,

Recognizing that, while long-term pledges are desirable, some Governments are unable to make financial commitments except with the approval of their legislatures and on an annual basis,

A.

Commends the Ad Hoc Committee on the Question of the Establishment of a Special United Nations Fund for Economic Development for the work embodied in its final and supplementary reports prepared in accordance with General Assembly resolutions 923 (X) of 9 December 1955 and 1030 (XI) of 26 February 1957;

B.

1. Decides that, subject to the conditions prescribed hereunder, there shall be established as an expansion of the existing technical assistance and development activities of the United Nations and the specialized agencies a separate Special Fund which would provide systematic and sustained assistance in fields essential to the integrated technical, economic and social development of the less developed countries,

2. Decides further that, in view of the resources prospectively available at this time, which are not likely to exceed one hundred million dollars annually, the operations of the Fund shall be directed towards enlarging the scope of the United Nations programmes of technical assistance so as to include special projects in certain basic fields to be defined by the Preparatory Committee provided for in paragraph 4 below, for example, intensive surveys of water, mineral and potential power resources; the establishment, including staffing and equipping, of training institutes in public administration, statistics and technology, and of agricultural and industrial research and productivity centres;

3. Considers that while, without impairing the separate identity of the Special Fund, the fullest possible use should be made of the existing machinery of the United Nations, the specialized agencies (including the existing international financial institutions) and the Expanded Programme of Technical Assistance, the Special Fund will require some new administrative and operational machinery;

4. Decides to establish a Preparatory Committee composed of representatives of 16 Governments to do the following, taking into account the principles set out in the annex and the views and suggestions forwarded by Governments pursuant to paragraph 7;

(a) define the basic fields of assistance which the Special Fund should encompass and, within these fields, the types of projects which should be eligible for assistance;

(b) define in the light of paragraph 3 above, the administrative and operational machinery to be recommended for the Special Fund, including such changes as may be required in the present legislation and procedures of the Expanded Programme of Technical Assistance;

(c) ascertain the extent to which Governments would be willing to contribute to the Special Fund;

5. Requests the President of the General Assembly to appoint the members of the Preparatory Committee;

6. Invites the Secretary-General to provide the Preparatory Committee with all the necessary facilities, including the provision of such expert consultants as might be required;

7. Requests Governments to assist the Preparatory Committee in its work by forwarding their views and suggestions to the Preparatory Committee through the Secretary-General and, in particular, by indicating the extent to which they would be willing to contribute to the Special Fund;

8. Invites the Secretary-General, the executive heads of the specialized agencies and the Executive Chairman of the Technical Assistance Board to forward their views and suggestions to the Preparatory Committee;

9. Requests the Preparatory Committee to submit the results of its work in the form of a report and recommendations to the twenty-sixth session of the Economic and Social Council;

10. Requests the Economic and Social Council to transmit the Preparatory Committee's Report, together with its own comments, to the thirteenth session of the General Assembly for final action;

11. Looks forward to the establishment of the Special Fund as of 1 January 1959;

12. Appeals to all States Members of the United Nations, in a spirit of co-operation and solidarity, to give the greatest possible assistance to the Special Fund;

C.

Decides that as and when the resources prospectively available are considered by the General Assembly to be sufficient to enter into the field of capital development, principally the development of the economic and social infrastructure of the less developed countries, the General Assembly shall review the scope and future activities of the Fund and take such action as it may deem appropriate.

ANNEX

I. The Special Fund shall be a multilateral fund of the United Nations, with financial resources principally derived from voluntary annual contributions of Governments and others in (or transferable into) currency usable by it and as much as possible pledged or indicated for a number of years.

II. Assistance from the Special Fund shall be given only to projects which would make a contribution to the economic development of the requesting country or countries. The operations of the Special Fund shall be in conformity with the principles of the Charter of the United Nations and shall not be influenced by political considerations.

III. The Special Fund shall be administered by a chief executive officer under policies established by an executive body in accordance with such rules and principles as may be laid down by the General Assembly and the Economic and Social Council. The membership of the executive body shall be equally distributed between two groups, one consisting mainly of major contributing countries and the other consisting mainly of less developed countries. Each member of the executive body shall have one vote. Decisions of the executive body on questions of policy, including the allocation of funds, shall require a qualified majority vote.

Note: The following countries have been designated by the President of the General Assembly to serve on the Preparatory Committee: Canada, Chile, Denmark, Egypt, France, Ghana, India, Japan, Mexico, The Netherlands, Pakistan, Peru, U.S.S.R., United Kingdom, United States, and Yugoslavia.

ORGANISATION DES NATIONS UNIES POUR
L'ALIMENTATION ET L'AGRICULTURE



ORGANIZACION DE LAS NACIONES UNIDAS PARA
LA AGRICULTURA Y LA ALIMENTACION

FOOD AND AGRICULTURE ORGANIZATION
OF THE UNITED NATIONS

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R O M E

Please quote
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DDG

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Tel. 590011 - 590211 - 599071

21 February 1958

Dear Dick:

Retained by TA & h.

As promised at the meeting held in Rome on 22 January I am enclosing herewith copy of the FAO paper on the Special Projects Fund. Copies have been sent to New York for formal presentation to the Intergovernmental Preparatory Committee.

Yours sincerely,

Herbert Broadley
Deputy Director-General

Mr. Richard H. Demuth
International Bank for
Reconstruction and Development
1818 "H" Street, NW
Washington, D.C.

ack Mar 3

ROUTING SLIP

Date

October 8, 1958.

OFFICE OF THE PRESIDENT

NAME		ROOM NO.
Mr. W.F. Howell <i>W.F.H.</i>		801
Mr. L. Nurick		1121
Mr. M.L. Lejeune <i>W</i>		813
Mr. N. Perry <i>R</i>		513
Mr. I.P.M. Gargill		614
Mr. H. Prud'homme		600
Action		Note and File
Approval		Note and Return
Comment		Prepare Reply
Full Report		Previous Papers
Information		Recommendation
Initial		Signature

Remarks

For information and (last paragraph)
entertainment.

Files

From

Davidson Sommers

UNITED NATIONS NATIONS UNIES
NEW YORK

CABLE ADDRESS · UNATIONS NEWYORK · ADRESSE TELEGRAPHIQUE

FILE NO.:

20 February 1958

Sir,

.... I have the honour to refer to General Assembly resolution 1219 (XII),
a copy of which is enclosed. By this resolution the General Assembly
decided to establish a Special Fund which would provide systematic and
sustained assistance in the fields essential to the integrated technical,
economic and social development of the less-developed countries; and
the Secretary-General was invited to forward his views and suggestions
to the Preparatory Committee for the Special Fund. I attach, for your
.... information, drafts of papers on the fields of assistance and types of
projects, and on the administrative and operational machinery of the
Special Fund, which will form the main part of the memorandum to be
submitted by the Secretary-General to the Committee.

The Secretary-General attaches the greatest importance in the conduct
of the Special Fund's operations to close co-operation between the Special
Fund and the International Bank and proposes certain arrangements in the
attached papers which, in his view, would enable this co-operation to
be most effective.

He would be glad to know whether these proposals concerning the extent
and nature of the co-operation of the Bank with the operations of the
Special Fund would, if adopted, be generally acceptable to the International
Bank.

Accept, Sir, the assurances of my high consideration.


Martin Hill

Deputy Under-Secretary
for Economic and Social Affairs

Mr. Davidson Sommers
Vice President
International Bank for Reconstruction
and Development
1818 H Street, N.W.
Washington 25, D.C.

ack. Feb. 28.

UNITED NATIONS

NEW YORK

20 February 1958

Sir,

I am very pleased to hear that the General Assembly has adopted the resolution on the subject of the Special Fund. This resolution is a very important one and it is a great credit to the General Assembly that it has taken such a decisive action. The Special Fund will be a very valuable asset to the United Nations and it will be a great help to the developing countries. I am sure that the Special Fund will be a very successful one and it will be a great help to the developing countries. I am sure that the Special Fund will be a very successful one and it will be a great help to the developing countries.

The Secretary-General has been very busy in the past few days. He has been working on the Special Fund and he has been very successful in his work. He has been working on the Special Fund and he has been very successful in his work. He has been working on the Special Fund and he has been very successful in his work.

I am sure that the Special Fund will be a very successful one and it will be a great help to the developing countries. I am sure that the Special Fund will be a very successful one and it will be a great help to the developing countries. I am sure that the Special Fund will be a very successful one and it will be a great help to the developing countries.

Very truly yours,

Secretary-General
United Nations
New York

FEB 24 8 49 AM 1958

RECEIVED
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

Mr. A. G. L. Brown
Vice President
International Bank for Reconstruction and Development
Washington, D.C.

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UNITED NATIONS

General Assembly

MAR 11 2025

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A/AC.93/L.2

24 February 1958

Preparatory Committee for
the Special Fund

New York, 11 March 1958

Views and suggestions of the Secretary-
General in response to General Assembly
resolution 1219 (XII)

Introduction

1. In its resolution 1219 (XII) the General Assembly invited the Secretary-General to present his views and suggestions:

(a) on the basic fields of assistance which the Special Fund to be established under resolution 1219 (XII) should encompass and, within these fields, the types of projects which should be eligible for assistance;

(b) on the administrative and operational machinery to be recommended for the Special Fund.

2. In the formulation of these views and suggestions, account has been taken of the debates in the General Assembly concerning the needs of under-developed countries and the future direction of the technical assistance activities of the United Nations, as well as of the discussions on the Special Fund which led to the adoption of resolution 1219 (XII).

3. Furthermore, in formulating his views and suggestions on the administrative and operational machinery of the Special Fund, the Secretary-General has drawn on the experience of existing United Nations programmes operating on the basis of extrabudgetary funds as well as on some of the work of earlier committees which have studied extensively questions of administrative and operational machinery in connection with a capital development fund; although the Special Fund is not a capital investment fund, some of the features of the operational machinery envisaged by earlier committees may be borne in mind.

Section 1. Basic fields of assistance and
types of projects

4. Resolution 1219 (XII) indicates the purposes of the Special Fund and its relation to the Expanded Programme of Technical Assistance, when it states that::

(a) neither the Expanded Programme nor other existing programmes of the United Nations or the specialized agencies can now meet certain urgent needs which, if met, would advance the processes of technical, economic and social development of the less developed countries, and, in particular, would facilitate new capital investments of all types - private and public, national and international - by creating conditions which would make such investments either feasible or more effective;

(b) the Special Fund is to be a separate fund, established as an expansion of the existing technical assistance and development activities of the United Nations and the specialized agencies, which would 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 available at this time, which are not likely to exceed \$100 million annually, the operations of the Special Fund shall be directed towards enlarging the scope of the United Nations programme of technical assistance so as to include special projects in certain basic fields to be defined by the Preparatory Committee.

5. From these indications, a number of criteria may usefully be derived, for distinguishing the operation of the Special Fund from that of the Expanded Programme ^{of Technical Assistance} in a way conducive to the orderly management and co-ordination of both programmes. It does not seem, however, indispensable, nor indeed feasible, to set out such criteria too precisely or too rigidly. The suggestion below that the Executive Chairman of the Technical Assistance Board be a member of the Joint Advisory Committee to the chief executive officer ^{of the Special Fund} is in recognition of the importance of maintaining the closest co-ordination between the operations of the Special Fund and those of the Expanded Programme. ^{1/}

6. It may be useful to contrast the criteria underlying the operations of the Special Fund with those of the Expanded Programme as follows:

(a) in contrast to the Expanded Programme of Technical Assistance, which, in order to take account of the wide variety of needs, and of opportunities for technical assistance, has had to spread its resources over a large number of projects, the Special Fund would concentrate its resources on a more limited number of projects involving relatively heavier individual budgetary commitments. This is not to say that cost alone should serve as a yardstick to distinguish

^{1/} See ~~second part~~ paragraph 1834 .

between a Special Fund project and an Expanded Programme project; but a difference in financing methods - such as diversified versus concentrated spending - could, in many cases, constitute a criterion;

(b) in contrast to the Expanded Programme and as a consequence of the distinction noted above, the Special Fund could undertake projects involving investigations of considerable scope or depth;

(c) in contrast to the Expanded Programme, and as a consequence of (a) and (b) above, the Special Fund would encompass in its activities projects requiring a higher degree of sustainment, i.e., involving commitments over longer periods of time, than has been possible hitherto. Conversely, as fellowship programmes fit naturally within the existing technical assistance activities, the ^{Special} Fund would not normally provide such assistance except to meet particular needs inherent in the execution of a specific project financed by it;

(d) in contrast to the Expanded Programme and as a further consequence of the above, the Special Fund's activities would ~~naturally~~ include, in addition to projects intended to bring direct benefits to one country only, an appreciable number of projects involving several countries or even entire regions. Although the distribution and utilization of the ^{Special} Fund's resources will be based on government requests, it is not foreseen that the country programming procedures under the Expanded Programme would apply.

7. ^{On account of} These distinguishing features ~~should, however, not result in the~~
^{should not, however be} desirable relationship of the two programmes ~~being lost sight of~~; they are closely related and are likely to prove particularly fruitful when they can be mutually supporting. Requests for assistance under the Special Fund will frequently grow out of recommendations of experts working under the Expanded Programme. Conversely, projects under the Special Fund may give rise to activities under the Expanded Programme.

8. Similarly, since the ^{Special} Fund is intended to lay the basis for investment, the work of the International Bank for Reconstruction and Development, which has acquired a vast experience in the financing of economic development, will, in a number of cases, have a bearing on its activities. In some instances projects may come after earlier Bank investigation or activities; in others, the work carried out with the assistance of the ^{Special} Fund may be considered by the Bank in making decisions as to financing. It is for these reasons that the suggestions made below about the structure of the ^{Special} Fund provide for the President of the International Bank for Reconstruction and Development to be a member of the Joint Advisory Committee.

9. The fact that the Special Fund's operations are to constitute an expansion of the present technical assistance activities should not obscure the fact that the limited resources of both programmes are not ^{commensurate with} ~~proportionate to~~ the formidable requirements of economic development. However, the activities of the Special Fund should, within its limits, have an important impact by stimulating the undertaking of concrete projects and the planning or programming of further projects thus made possible. The ^{Special} Fund might finance exploratory or preliminary tests or studies in some multiple phase projects. As in the case of the Expanded Programme, it will not assist research of a purely academic nature. Its projects might involve, in addition to the provision of experts or

appropriate staff, the financing of related purchases of equipment to a larger extent than is possible under the present technical assistance schemes; yet the ^{Special} Fund, like the Expanded Programme, not being a capital fund, will obviously be unable to finance heavy capital expenditures. Again, as under the Expanded Programme, projects assisted by the ^{Special} Fund should be followed up and taken over by public or private organizations or enterprises.

10. The General Assembly has exemplified its wishes regarding the fields in which the Special Fund should provide assistance, by mentioning intensive surveys of water, mineral and potential power resources, the establishment, including staffing and equipping, of training institutes in public administration, statistics and technology and of agricultural and industrial research and productivity centres.

11. These examples offer some guidance ^{a. to} ~~in the definition of~~ the activities and types of projects which the Special Fund would assist. They are only a part of the vast range of activities essential to the integrated economic and social development of under-developed countries. Bearing in mind its prospective resources, the ^{Special} Fund is likely to make a greater impact in laying the basis for investment by concentrating on a few important kinds of activities. Also, the sphere of operations indicated for the ^{Special} Fund should be seen in the perspective of the efforts already being made by the Expanded Programme, by the United Nations (including its regional economic commissions), by the specialized agencies, ~~by specific schemes such as the Special Fund for Malaria Eradication,~~ and by the various bilateral and regional programmes for technical assistance and financial aid.

12. Projects which the Special Fund would assist would seem to fall mainly into one of two categories, namely surveys of resources and training and research facilities, which may, of course, be closely inter-related. They are referred to below in general terms only, since there is no advantage in setting out detailed examples of such projects in purely hypothetical form. Projects of a similar nature may differ considerably in details from place to place and such details could only be determined on the basis of the specific requests that will be received by the Fund.

13. It may be expected that the Special Fund would devote a substantial part of its activities to surveys relating to the development of natural resources. It is visualized that these would include surveys of water resources, mineral resources, land, soil and marine resources. The Special Fund might also assist in surveys relating to the establishment of transport facilities, particularly where the need for these was indicated as a result of surveys of basic resources mentioned above. The scale on which individual projects would be undertaken or assisted by the Special Fund would, of course, be limited by the total financial resources available to the Fund and the number of requests received by it. Costly exploratory and prospecting techniques would, presumably, not normally come within the scope of its operations.

14. Certain activities directly related to carrying out surveys of natural resources might also be considered eligible for assistance. Discovery of resources may require evaluation of potentialities and economic and social investigations relating to their development. For example, discovery of mineral resources might make it necessary to undertake a series

of investigations of such problems as the economics of their production and marketing and of the engineering, transport, energy, manpower and housing requirements. While many of these investigations might be assisted under the Expanded Programme, there would be projects of special significance for furthering economic and social development which would more appropriately be the concern of the Special Fund.

15. While surveys of resources would pave the way for investment, techniques and skills would be required to make investment both more feasible and more effective. Assistance in training and research would be extended mainly for establishing institutions of certain types of a national or regional scope, or for expanding existing ones. The purpose of such training institutions would be to increase the supply of skills at the requisite levels in the technological field as well as in such fields as management, statistics, economic and social surveys and public administration. Research institutions eligible for assistance from the Special Fund would presumably be those in fields directly relevant to development plans and programmes of high priority, such as industrial and agricultural research centres.

16. Some carefully chosen demonstration projects might also be assisted by the Special Fund to complement the work carried out by certain training and research institutions.

17. Various types of projects have been referred to above from the point of view of their eligibility for assistance from the Special Fund, irrespective of the agencies through which they might be carried out; while some of the projects might most appropriately be handled by the United Nations itself, others would fall within the competence of the specialized agencies.

Section 2. Administrative and operational
machinery of the Special Fund

7 18 The following views and suggestions are intended as an outline of possible solutions to some of the administrative and operational questions raised by the establishment of the Special Fund.

19 The Secretary-General would view the Special Fund as an extra-budgetary fund administered by a new unit within the United Nations Secretariat, in charge of programming and planning the operations of the Special Fund, under the policy guidance and subject to the final decisions of an intergovernmental executive organ, and relying to the greatest possible extent on existing facilities within the United Nations and the specialized agencies for the preparation and for the implementation of projects. This formula would seem to satisfy the General Assembly resolution which provides that the Special Fund shall be a separate fund which will require some new administrative and

operational machinery; and that, without impairing the separate identity of the Special Fund, fullest possible use should be made of the existing machinery of the United Nations, the specialized agencies - including the existing international financial institutions - and the Expanded Programme of Technical Assistance.

20. ~~In this paper~~^{Below} possible answers are explored to some of the questions which arise relating to the following matters: legislative authority; the ~~intergovernmental executive~~^{organ} ~~body~~; administration of the Special Fund; working relationships with existing programmes and inter-agency coordination; procedures; and financial arrangements.

21. The question of working relationships with existing programmes and of inter-agency coordination arises at various stages of the structural arrangements and administrative procedures. Its various aspects are therefore taken up in connection with the other questions which are discussed below in the order mentioned in the preceding paragraph.

I. Legislative Authority

22. It is believed that the powers and functions pertaining to the legislative authority should be vested in two Principal Organs of the United Nations, i.e., the General Assembly and the Economic and Social Council. In the context of the present proposals, it would appear unduly cumbersome to create a new organ, as had been recommended by earlier committees.

23. As between the two Principal Organs, the distribution of functions could be conceived as follows: the Economic and Social Council would be the Organ responsible for the formulation of general rules and principles, the review of operations of the ^{Special} Fund on the basis of annual reports, and the consideration of the activities of the Expanded Programme of Technical Assistance and of the Special Fund in relation to each other. The General Assembly would review the activities of the Special Fund on the basis of the Annual Report of the Economic and Social Council to the General Assembly. It would be the Organ responsible for the modification or amendment of the basic instrument of the Special Fund, on recommendation of or after consultation with the Economic and Social Council.

24. Members of the executive organ of the Special Fund could be elected by the Economic and Social Council according to rules defined in the basic instrument of the Special Fund, i.e., the General Assembly resolution creating it. States not members of the United Nations but members of the specialized agencies could be eligible for membership on the executive organ. There should be no difficulty for such States in participating in the normal pledging procedures provided for by the General Assembly.

II. The Executive Organ

25. It is suggested that a small Executive Board consisting of ten to fourteen members be established. It would appear that the recommendation contained in the annex to the General Assembly resolution for equal representation on the Board of major contributors and of other Governments would apply.

26. The Board would decide on the projects submitted to it by the chief executive officer, authorize commitments, establish the policies of the Special Fund in accordance with the rules and principles laid down by the Economic and Social Council, review the Special Fund's administration and operations, and report to the Economic and Social Council.

27. Steps should be taken to ensure proper co-ordination of the activities of the Special Fund and of the Expanded Programme. With this end in view, it would seem desirable that the Executive Board's annual report should be referred by the Economic and Social Council to its Technical Assistance Committee. In this respect also, consideration might be given to the selection of the Board from among members of the Technical Assistance Committee.

28. The present type of Fund would not seem to call for continuous sessions of the Executive Board. While approval of projects would be given on a case by case basis, grouping of projects for submission to the Executive Board meeting for a limited number of sessions during the year would provide a better picture of the allocation of the ^{Special} Fund's resources and a better appraisal of the Fund's operations by Governments for the determination of their yearly contributions.

29. The chief executive officer of the Special Fund (cf. ^{sub-} section III below) would participate without vote in the deliberations of the Board. The members of the joint advisory committee (referred to in ^{paragraph 34 below} ~~section III below~~) should be invited to attend all meetings of the Executive Board but without vote. The Executive Board should also make appropriate arrangements for consultations with specialized agencies on matters within their competence.

III. Administration of the Special Fund

Chief executive officer

30. It is suggested that the Special Fund be administered by a chief executive officer, under the policies established by the Executive Board in accordance with the rules and principles laid down by the Economic and Social Council (cf. paragraph ²⁶10). The chief executive officer would report to the

Executive Board and would submit to it programmes of operation. He would also prepare and submit annual reports on the administration of the ^{Special} Fund.

31. In view of the establishment of the ^{Special} Fund as an extrabudgetary organ of the United Nations, it is suggested that the chief executive officer be appointed by the Secretary-General ^{of the United Nations} in consultation with the Executive Chairman of the Technical Assistance Board and the President of the International Bank, and subject to the approval of the Executive Board.

32. The chief executive officer would have the right to attend the meetings of the Technical Assistance Board.

33. The chief executive officer should remain in close touch and establish working relationships with all specialized agencies concerned with those fields of activity in which the Special Fund would operate.

Joint Advisory Committee

34. It is recommended that along the lines of the suggestion of the ^{group of experts headed by Mr. Raymond Scheyven} ~~Scheyven~~ Committee, ^{1/} a Joint Advisory Committee be established, composed of the Secretary-General of the United Nations, the Executive Chairman of the Technical Assistance Board and the President of the International Bank, or their designated representatives. Membership of the Executive Chairman of

1/ A/2906, Chapter VI.

2/ Special United Nations Fund for Economic Development, Special Monthly, Official Record, Tenth Session, Supplement No 12 (A/2906), paras 58-59.

the Technical Assistance Board would seem essential to ensure close co-operation with the Expanded Programme of Technical Assistance.

35. It would be the function of the Joint Advisory Committee to advise the chief executive officer on the formulation of the ^{Special} Fund's programme of operations in the light of information in the possession of the authorities composing the Committee and of applications submitted to the ^{Special} Fund.

Staff

36. The staff of the Special Fund should consist of a small group to assist the chief executive officer administer the programme. Under the direction of the chief executive officer, the staff would consult with appropriate bodies on the technical and substantive aspects of projects, submit to the Executive Board programmes of operation, analyze reports on projects, and subsequently submit reports to the Executive Board. For other services the chief executive officer would rely as far as possible on the existing facilities of the United Nations and the specialized agencies, including the facilities of the Technical Assistance Board. It is hoped that these facilities would be made available to the Special Fund without charge except when clearly identifiable additional expenses were involved.

IV. Procedures

37. Projects should be undertaken only at the request of a Government or group of Governments. Proposals could, however, be made by the chief executive officer after consultation with the Joint Advisory Committee and, whenever appropriate, with the Secretary-General of the United Nations and with the executive heads of the specialized agencies. In all cases, a request would have to be formulated by the Government or Governments concerned before final approval.

38. With the assistance of the Joint Advisory Committee, the chief executive officer would draw up a programme of operations on the basis of the technical evaluation of projects and within the limits of the resources expected to be available. For each particular project the programme would include:

(a) a summary of its technical evaluation; (b) a proposed budget showing the financial implications of the project in their entirety; (c) a draft agreement regarding the implementation of the project and its control.

39. After examination of the proposals submitted by the chief executive officer, the Executive Board would take a final decision and authorize the chief executive officer to make the appropriate arrangements, including the conclusion of the appropriate agreements for the implementation of projects.

40. Projects would be implemented as far as possible by the United Nations and/or the particular agencies concerned. Control of implementation would be exercised to the greatest possible extent by existing field services and by the staffs of the agencies charged with responsibility for execution of individual projects. The chief executive officer of the Special Fund would report on the status and implementation of projects to the Executive Board.

V. Financial Arrangements

41. The financial administration and management of the Special Fund should be governed by financial regulations which could be developed by the

Secretary-General, ^{of the United Nations} in consultation with the chief executive officer, for

review by the Executive Board and approval by the Advisory Committee on

~~regulations thus developed would be submitted to the Advisory Committee on Administrative and Budgetary Questions.~~

~~and Budgetary matters. Questions before coming into effect.~~

42. It would appear that regulations for the Special Fund could be similar to those already applicable to the Special Account for the Expanded Programme of Technical Assistance. If this were the case, the Special Fund would be operated under the custodial authority of the Secretary-General, who would be responsible for receipt, management and disbursement of all moneys, and would account for all financial transactions. The procedures concerning acceptance of contributions, investments, internal financial controls, accounts and financial reports, and external audit could also be comparable to those for the Special Account.

43. Modifications would be necessary, however, in the provisions for committing and obligating funds and possibly in respect of certain other procedures. Specifically, authority should exist to approve programmes of more than one year's duration.

44. Also, if, as appears likely, the possibility should exist for an exchange of currencies between the Special Fund and the Special Account so as to assure maximum currency utilization, then authorization for such exchanges should be provided in the financial regulations.

45. An adaptation of existing procedures could be developed to provide for the acceptance and use of payments in local currency by recipient governments.

46. The actual funds for financing the office of the chief executive officer should come under the same process of review and approval by the General Assembly as other special offices of the United Nations, for which budgetary provision is made. The funds could be obtained by a grant of funds to the United Nations budget by the Executive Board of the Special Fund.

46. As contributions will be made voluntarily on an annual basis, the Technical Assistance Pledging Conference, which is held every year, could be reorganized so as to include pledging for the Special Fund. The services of the General Assembly's Negotiating Committee for Extrabudgetary Funds could also be used.

UNITED NATIONS

GENERAL ASSEMBLY



Distr.
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A/RES/1219 (XII)
17 December 1957

Twelfth session
Agenda item 28

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APR 29 2025

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RESOLUTION ADOPTED BY THE GENERAL ASSEMBLY

/On the report of the Second Committee (A/3782)/

1219 (XII). Financing of economic development

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 resolutions on the establishment of an international fund for economic development within the framework of the United Nations and, in particular, reaffirming its unanimously adopted resolutions 724 A (VIII) and 724 B (VIII) of 7 December 1953,

Noting the recommendation of the Economic and Social Council in its resolution 662 B (XXIV) of 31 July 1957,

Recognizing that the United Nations Expanded Programme of Technical Assistance is of proven effectiveness in promoting the economic development of the less developed countries,

Recognizing however that neither the Expanded Programme nor other existing programmes of the United Nations or the specialized agencies can now meet certain urgent needs which, if met, would advance the processes of technical, economic

and social development of the less developed countries, and, in particular, would facilitate new capital investments of all types - private and public, national and international - by creating conditions which would make such investments either feasible or more effective,

Convinced that a rapidly achieved enlargement in the financial resources and scope of technical assistance rendered by the United Nations and the specialized agencies to the less developed countries would constitute a constructive advance in United Nations assistance and would be of immediate significance in accelerating their economic development,

Recognizing that, while long-term pledges are desirable, some Governments are unable to make financial commitments except with the approval of their legislatures and on an annual basis,

I

Commends the Ad Hoc Committee on the Question of the Establishment of a Special United Nations Fund for Economic Development for the work embodied in its final^{1/} and supplementary^{2/} reports prepared in accordance with General Assembly resolutions 923 (X) of 9 December 1955 and 1030 (XI) of 26 February 1957;

II

1. Decides that, subject to the conditions prescribed hereunder, there shall be established as an expansion of the existing technical assistance and development activities of the United Nations and the specialized agencies a separate Special Fund which would provide systematic and sustained assistance in fields essential to the integrated technical, economic and social development of the less developed countries,

2. Decides further that, in view of the resources prospectively available at this time, which are not likely to exceed \$100 million annually, the operations of the Special Fund shall be directed towards enlarging the scope of the United Nations programmes of technical assistance so as to include special projects in certain basic fields to be defined by the Preparatory Committee provided for in

^{1/} A/3579 and Corr.1 and Add.1.

^{2/} A/3580.

paragraph 4 below, for example, intensive surveys of water, mineral and potential power resources, the establishment, including staffing and equipping, of training institutes in public administration, statistics and technology, and of agricultural and industrial research and productivity centres;

3. Considers that while, without impairing the separate identity of the Special Fund, the fullest possible use should be made of the existing machinery of the United Nations, the specialized agencies - including the existing international financial institutions - and the Expanded Programme of Technical Assistance, the Fund will require some new administrative and operational machinery;

4. Decides to establish a Preparatory Committee composed of representatives of sixteen Governments to do the following, taking into account the principles set out in the annex to the present resolution and the views and suggestions forwarded by Governments pursuant to paragraph 7 below:

(a) Define the basic fields of assistance which the Special Fund should encompass and, within these fields, the types of projects which should be eligible for assistance;

(b) Define in the light of paragraph 3 above the administrative and operational machinery to be recommended for the Special Fund, including such changes as may be required in the present legislation and procedures of the Expanded Programme of Technical Assistance;

(c) Ascertain the extent to which Governments would be willing to contribute to the Special Fund;

5. Invites the President of the General Assembly to appoint the members of the Preparatory Committee;

6. Invites the Secretary-General to provide the Preparatory Committee with all the necessary facilities, including the provision of such expert consultants as might be required;

7. Requests Governments to assist the Preparatory Committee in its work by forwarding their views and suggestions to the Committee through the Secretary-General and, in particular, by indicating the extent to which they would be willing to contribute to the Special Fund;

/...

8. Invites the Secretary-General, the executive heads of the specialized agencies and the Executive Chairman of the Technical Assistance Board to forward their views and suggestions to the Preparatory Committee;

9. Requests the Preparatory Committee to submit the results of its work in the form of a report and recommendations to the Economic and Social Council, at its twenty-sixth session,

10. Requests the Economic and Social Council to transmit the Preparatory Committee's report, together with its own comments, to the General Assembly, at its thirteenth session, for final action;

11. Looks forward to the establishment of the Special Fund as of 1 January 1959;

12. Appeals to all States Members of the United Nations, in a spirit of co-operation and solidarity, to give the greatest possible assistance to the Special Fund;

III

Decides that as and when the resources prospectively available are considered by the General Assembly to be sufficient to enter into the field of capital development, principally the development of the economic and social infrastructure of the less developed countries, the Assembly shall review the scope and future activities of the Special Fund and take such action as it may deem appropriate.

730th plenary meeting,
14 December 1957.

/...

ANNEX

1. The Special Fund shall be a multilateral fund of the United Nations, with financial resources principally derived from voluntary annual contributions of Governments and others in or transferable into currency usable by the Fund and, as much as possible, pledged or indicated for a number of years.
2. Assistance from the Special Fund shall be given only to projects which would make a contribution to the economic development of the requesting country or countries. The operations of the Fund shall be in conformity with the principles of the Charter of the United Nations and shall not be influenced by political considerations.
3. The Special Fund shall be administered by a chief executive officer under policies established by an executive body in accordance with such rules and principles as may be laid down by the General Assembly and the Economic and Social Council. The membership of the executive body shall be equally distributed between two groups, one consisting mainly of major contributing countries and the other consisting mainly of less developed countries. Each member of the executive body shall have one vote. Decisions of the executive body on questions of policy, including the allocation of funds, shall require a qualified majority vote.

*

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At the 730th plenary meeting on 14 December 1957, after the adoption of the resolution, the President of the General Assembly appointed the following States Members to be represented on the Preparatory Committee, in accordance with paragraph 5 of section II of the resolution above: CANADA, CHILE, DENMARK, EGYPT, FRANCE, GHANA, INDIA, JAPAN, MEXICO, the NETHERLANDS, PAKISTAN, PERU, the UNION OF SOVIET SOCIALIST REPUBLICS, the UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND, THE UNITED STATES OF AMERICA and YUGOSLAVIA.

February 19, 1958

Mr. Philippe de Seynes
Under-Secretary for Economic
and Social Affairs
United Nations
New York 17, N.Y.

Dear Mr. de Seynes:

I am replying to your letter of February 14 (EC 132/221 (2)), enclosing drafts of papers on the administrative and operational machinery and on the fields of assistance and types of projects of the Special Fund. You say that these papers will be incorporated in a memorandum to be circulated to governments soon, and you ask that I send you promptly any further comments we may have.

Such few additional comments as we have, relating to the first part of the working paper, are attached; like those sent with my February 7 letter, they reflect staff views and should not be taken as the formal and final views of the Bank. We are pleased that our earlier suggestions proved useful and acceptable.

Sincerely yours,

(Signed) Davidson Sommers

Davidson Sommers
Vice-President

SB/ga

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COMMENTS ON THE FEBRUARY 14, 1958 DRAFT OF THE
FIRST PART OF THE WORKING PAPER ON THE SPECIAL FUND

1. In paragraph 5(c), on page 3, we suggest that the last clause read "the Fund would not normally provide such assistance, except possibly to meet particular needs" etc. The word "possibly" has been added.
2. In the second line of paragraph 5(d), on page 3, we suggest changing "the Special Fund activities would naturally include" to "the Special Fund activities might be expected to include". We also suggest deletion of the word "appreciable" in the next line, so that the text would read "a number of projects".
3. In paragraph 13, on page 6, it appears that the word "that" has been omitted following the word "perspective".
4. In paragraph 14, on page 6, the end of the last sentence refers to the possibility of some projects being properly and conveniently handled by the United Nations while others might be handled by the specialized agencies. There is no reference to the possibility that the Fund itself might assume responsibility for execution of some projects, presumably by contracting with private organizations or individuals, in special cases where, for one reason or another, this course seems more appropriate than requesting the United Nations or one of the specialized agencies to undertake their administration. Since, as we understand, it is contemplated that this might in fact be done, we suggest that the portion of the last sentence of paragraph 14 following the semicolon be revised to read: "some of the projects may most properly or conveniently be handled by the United Nations or by one of the specialized agencies, while some might most appropriately be handled by the Fund itself."

UNITED NATIONS NATIONS UNIES
NEW YORK

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FILE NO.: EC 132/221 (2)

14 February 1958

Dear Mr. Sommers,

.....

I take pleasure in sending you the enclosed drafts of the papers on the fields of assistance and types of projects and on the administrative and operational machinery of the Special Fund.

I should like to take this opportunity to thank you for your most helpful comments of 7 February, all of which we agree with and most of which have been incorporated in the text. I should like to thank you also for the close and informal collaboration extended by you and your colleagues in this preparatory work.

These papers will be incorporated in a memorandum to be submitted to the Preparatory Committee as requested by the General Assembly in its resolution 1219 (XII).

This memorandum should be circulated to governments soon, and it would therefore be appreciated greatly if any further comments you might wish to make on these drafts could be transmitted to us during the coming week.

Yours sincerely,

Philippe de Seynes

Philippe de Seynes
Under-Secretary for Economic
and Social Affairs

Mr. D. Sommers,
Vice President and General Counsel,
International Bank for Reconstruction
and Development,
1818 H Street N.W.,
Washington 25, D.C.

cc Mr. Lopez-Herrarte

Ack Feb 19

UNITED NATIONS
NEW YORK



UNITED NATIONS NEW YORK - ADDRESS TELEPHONE

14 February 1958

DO 132/221 (2)

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I take pleasure in sending you the enclosed drafts of the papers on the fields of assistance and types of projects and on the administrative and operational machinery of the special fund.

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Yours sincerely,

Philippe de Seynes
Philippe de Seynes
Under-Secretary for Economic
and Social Affairs

cc Mr. Lopez-Herrero
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON 25, D.C.
1818 M Street N.W.
and Development
International Bank for Reconstruction
and Development
Vice President and General Counsel
Mr. G. Sommers,
FEB 17 8 20 AM 1958

First part of the Working Paper of the Secretary-
General in response to General Assembly Resolution
1219 (XII)

1. In its resolution 1219 (XII) the General Assembly invites the Secretary-General to present his views and suggestions on the basic fields of assistance that the Special Fund should encompass and, within these fields, the types of projects which should be eligible for assistance.

2. In formulating these views and suggestions, the debates in the General Assembly concerning the needs of under-developed countries and the future direction of the technical assistance activities have been taken into account, in addition to the discussions on the Special Fund which led to the adoption of resolution 1219 (XII).

3. The resolution indicates the purposes of the Special Fund and its relation to the Expanded Programme of Technical Assistance, when it states that:

(a) neither the Expanded Programme nor other existing programmes of the United Nations or the specialized agencies can now meet certain urgent needs which, if met, would advance the processes of technical, economic and social development of the less developed countries, and, in particular, would facilitate new capital investments of all types - private and public, national and international - by creating conditions which would make such investments either feasible or more effective;

(b) the Special Fund is to be a separate fund, established as an expansion of the existing technical assistance and development activities of the United Nations and the specialized agencies, which would 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 available at this time, which are not likely to exceed \$100 million annually, the operations of the Special Fund shall be directed towards enlarging the scope of the United Nations programme of technical assistance so as to include special projects in certain basic fields to be defined by the Preparatory Committee.

4. From these indications, a number of criteria may usefully be derived, for distinguishing the operation of the Special Fund from that of the Expanded Programme in a way conducive to the orderly management and co-ordination of both programmes. It does not seem, however, indispensable, nor indeed feasible, to set out such criteria too precisely or too rigidly. The suggestion below that the Executive Chairman of the Technical Assistance Board be a member of the Joint Advisory Committee to the chief executive officer is in recognition of the importance of maintaining the closest co-ordination between the operations of the Special Fund and those of the Expanded Programme.^{1/}

5. It may be useful to contrast the criteria underlying the operations of the Special Fund with those of the Expanded Programme as follows:

(a) in contrast to the Expanded Programme of Technical Assistance, which, in order to take account of the wide variety of needs, and of opportunities for technical assistance, has had to spread its resources over a large number of projects, the Special Fund would concentrate its resources on a more limited number of projects involving relatively heavier individual budgetary commitments. This is not to say that cost alone should serve as a yardstick to distinguish

^{1/} See second part, paragraph 8.

between a Special Fund project and an Expanded Programme project; but a difference in financing methods -- such as diversified versus concentrated spending -- could, in many cases, constitute a criterion;

(b) in contrast to the Expanded Programme and as a consequence of the distinction noted above, the Special Fund could undertake projects involving investigations of considerable scope or depth;

(c) in contrast to the Expanded Programme, and as a consequence of (a) and (b) above, the Special Fund would encompass in its activities projects requiring a higher degree of sustainment, i.e., involving commitments over longer periods of time, than has been possible hitherto. Conversely, as fellowship programmes fit naturally within the existing technical assistance activities, the Fund would not normally provide such assistance except ^{possibly} to meet particular needs inherent in the execution of a specific project financed by it;

(d) in contrast to the Expanded Programme and as a further consequence of the above, the Special Fund activities would naturally include, in addition to projects intended to bring direct benefits to one country only, an appreciable number of projects involving several countries or even entire regions. Although the distribution and utilization of the Fund's resources will be based on government requests, it is not foreseen that the country programming procedures under the Expanded Programme would apply.

6. These distinguishing features should, however, not result in the desirable relationship of the two programmes being lost sight of; they are closely related and are likely to prove particularly fruitful when they can be mutually supporting. Requests for assistance under the Special Fund will frequently grow out of recommendations of experts working under the Expanded Programme. Conversely, projects under the Special Fund may give rise to activities under the Expanded Programme.

7. Similarly, since the Fund is intended to lay the basis for investment, the work of the International Bank for Reconstruction and Development, which has acquired a vast experience in the financing of economic development, will, in a number of cases, have a bearing on its activities. In some instances projects may come after earlier Bank investigation or activities; in others, the work carried out with the assistance of the Fund may be considered by the Bank in making decisions as to financing. It is for these reasons that the suggestions made below about the structure of the Fund provide for the President of the International Bank for Reconstruction and Development to be a member of the Joint Advisory Committee.

8. The fact that the Special Fund's operations are to constitute an expansion of the present technical assistance activities should not obscure the fact that the limited resources of both programmes are not proportionate to the formidable requirements of economic development. However, the activities of the Special Fund should, within its limits, have an important impact by stimulating the undertaking of concrete projects and the planning or programming of further projects thus made possible. The Fund might finance exploratory or preliminary tests or studies in some multiple phase projects. As in the case of the Expanded Programme, it will not assist research of a purely academic nature. Its projects might involve,

in addition to the provision of experts or appropriate staff, the financing of related purchases of equipment to a larger extent than is possible under the present technical assistance schemes; yet the Fund, like the Expanded Programme, not being a capital fund, will obviously be unable to finance heavy capital expenditures. Again, as under the Expanded Programme, projects assisted by the Fund should be followed up and taken over by public or private organizations or enterprises.

9. The General Assembly has exemplified its wishes regarding the fields in which the Special Fund should provide assistance, by mentioning intensive surveys of water, mineral and potential power resources, the establishment, including staffing and equipping, of training institutes in public administration, statistics and technology and of agricultural and industrial research and productivity centres.

10. These examples offer some guidance in the definition of the activities and types of projects which the Special Fund would assist. They are only a part of the vast range of activities essential to the integrated economic and social development of under-developed countries. Bearing in mind its prospective resources, the Fund is likely to make a greater impact in laying the basis for investment by concentrating on a few important kinds of activities. Also, the sphere of operations indicated for the Fund should be seen in the perspective of the efforts already being made by the Expanded Programme, by the United Nations (including its regional economic commissions), by the specialized agencies, by specific schemes such as the Special Fund for Malaria Eradication, and by the various bilateral and regional programmes for technical assistance and financial aid.

11. The Special Fund would devote a substantial part of its activities to surveys relating to the development of natural resources. While the Fund would not cover all aspects in this field, it would be necessary, in many cases, to consider social and demographic factors specifically bearing on the utilization of resources.

12. While the surveys of resources would pave the way for investment, certain techniques and skills may be required to make investment both more feasible and more effective. The development of such techniques and skills may call for assistance through the establishment of training and research institutions or through projects carried out in existing institutions.

13. It is in this perspective the types of projects have been listed in the Annex to this paper in relation to two basic kinds of activities, i.e., (A) surveys of resources and (B) training and research facilities.

14. The types of projects, some of which are interrelated but had to be distinguished for the sake of presentation, are described in general terms, since detailed proposals and cost estimates can only be worked out on the basis of specific requests that Governments will make to the Special Fund. The various types of projects have been listed from the point of view of their eligibility for assistance from the Fund, irrespective of the agencies through which they might be carried out; while some of the projects may most properly and conveniently be handled by the United Nations itself, others would fall within the competence of specialized agencies.

[Second part of the Working Paper of the
Secretary-General in response to General
Assembly resolution 1219 (XII)]

ADMINISTRATIVE AND OPERATIONAL
MACHINERY OF THE SPECIAL FUND

1. The present paper is intended as an outline of possible solutions to some of the administrative and operational questions raised by the establishment of the Special Fund.
2. In formulating his views and suggestions, the Secretary-General has drawn on the experience of existing United Nations programmes operating on the basis of extrabudgetary funds as well as on some of the work of earlier committees which have studied extensively questions of administrative and operational machinery in connection with a capital development fund; although the Special Fund is not a capital investment fund, some of the features of the operational machinery envisaged by earlier committees may be borne in mind.
3. The Secretary-General would view the Special Fund as an extrabudgetary fund administered by a new unit within the United Nations Secretariat, in charge of programming and planning the operations of the Special Fund, under the policy guidance and subject to the final decisions of an intergovernmental executive body, and relying to the greatest possible extent on existing facilities within the United Nations and the specialized agencies for the preparation and for the implementation of projects. This formula would seem to satisfy the General Assembly resolution which provides that the Special Fund shall be a separate fund which will require some new administrative and

operational machinery; and that, without impairing the separate identity of the Special Fund, fullest possible use should be made of the existing machinery of the United Nations, the specialized agencies -- including the existing international financial institutions -- and the Expanded Programme of Technical Assistance.

4. In this paper possible answers are explored to some of the questions which arise relating to the following matters: legislative authority; the intergovernmental executive body; administration of the Special Fund; working relationships with existing programmes and inter-agency coordination; procedures; and financial arrangements.

5. The question of working relationships with existing programmes and of inter-agency coordination arises at various stages of the structural arrangements and administrative procedures. Its various aspects are therefore taken up in connection with the other questions which are discussed below in the order mentioned in the preceding paragraph.

I. Legislative Authority

6. It is believed that the powers and functions pertaining to the legislative authority should be vested in two Principal Organs of the United Nations, i.e., the General Assembly and the Economic and Social Council. In the context of the present proposals, it would appear unduly cumbersome to create a new organ, as had been recommended by earlier committees.

7. As between the two Principal Organs, the distribution of functions could be conceived as follows: the Economic and Social Council would be the Organ responsible for the formulation of general rules and principles, the review of operations of the Fund on the basis of annual reports, and the consideration of the activities of the Expanded Programme of Technical Assistance and of the Special Fund in relation to each other. The General Assembly would review the activities of the Special Fund on the basis of the Annual Report of the Economic and Social Council to the General Assembly. It would be the Organ responsible for the modification or amendment of the basic instrument of the Special Fund, on recommendation of or after consultation with the Economic and Social Council.

8. Members of the executive organ of the Special Fund could be elected by the Economic and Social Council according to rules defined in the basic instrument of the Special Fund, i.e., the General Assembly resolution creating it.

States not members of the United Nations but members of the specialized agencies could be eligible for membership on the executive organ. There should be no difficulty for such States in participating in the normal pledging procedures provided for by the General Assembly.

II. The Executive Organ

9. It is suggested that a small Executive Board consisting of ten to fourteen members be established. It would appear that the recommendation contained in the annex to the General Assembly resolution for equal representation on the Board of major contributors and of other Governments would apply.

10. The Board would decide on the projects submitted to it by the chief executive officer, authorize commitments, establish the policies of the Special Fund in accordance with the rules and principles laid down by the Economic and Social Council, review the Special Fund's administration and operations, and report to the Economic and Social Council.

11. Steps should be taken to ensure proper co-ordination of the activities of the Special Fund and of the Expanded Programme. With this end in view, it would seem desirable that the Executive Board's annual report should be referred by the Economic and Social Council to its Technical Assistance Committee. In this respect also, consideration might be given to the selection of the Board from among members of the Technical Assistance Committee.

12. The present type of Fund would not seem to call for continuous sessions of the Executive Board. While approval of projects would be given on a case by case basis, grouping of projects for submission to the Executive Board meeting for a limited number of sessions during the year would provide a better picture of the allocation of the Fund's resources and a better appraisal of the Fund's operations by Governments for the determination of their yearly contributions.

13. The chief executive officer of the Special Fund (cf. Section III below) would participate without vote in the deliberations of the Board. The members of the joint advisory committee (referred to in section III below) should be invited to attend all meetings of the Executive Board but without vote. The Executive Board should also make appropriate arrangements for consultations with specialized agencies on matters within their competence.

III. Administration of the Special Fund

Chief executive officer

14. It is suggested that the Special Fund be administered by a chief executive officer, under the policies established by the Executive Board in accordance with the rules and principles laid down by the Economic and Social Council (cf. paragraph 10). The chief executive officer would report to the Executive Board and would submit to it programmes of operation. He would also prepare and submit annual reports on the administration of the Fund.

15. In view of the establishment of the Fund as an extrabudgetary organ of the United Nations, it is suggested that the chief executive officer be appointed by the Secretary-General, in consultation with the Executive Chairman of the Technical Assistance Board and the President of the International Bank, and subject to the approval of the Executive Board.

16. The chief executive officer would have the right to attend the meetings of the Technical Assistance Board. J ACC

17. The chief executive officer should remain in close touch and establish working relationships with all specialized agencies concerned with those fields of activity in which the Special Fund would operate.

Joint Advisory Committee

18. It is recommended that along the lines of the suggestion of the Scheyven Committee,^{1/} a Joint Advisory Committee be established, composed of the Secretary-General of the United Nations, the Executive Chairman of the Technical Assistance Board and the President of the International Bank, or their designated representatives. Membership of the Executive Chairman of

^{1/} A/2906, Chapter VI.

the Technical Assistance Board would seem essential to ensure close co-operation with the Expanded Programme of Technical Assistance.

19. It would be the function of the Joint Advisory Committee to advise the chief executive officer on the formulation of the Fund's programme of operations in the light of information in the possession of the authorities composing the Committee and of applications submitted to the Fund.

Staff

20. The staff of the Special Fund should consist of a small group to assist the chief executive officer administer the programme. Under the direction of the chief executive officer, the staff would consult with appropriate bodies on the technical and substantive aspects of projects, submit to the Executive Board programmes of operation, analyze reports on projects, and subsequently submit reports to the Executive Board. For other services the chief executive officer would rely as far as possible on the existing facilities of the United Nations and the specialized agencies, including the facilities of the Technical Assistance Board. It is hoped that these facilities would be made available to the Special Fund without charge except when clearly identifiable additional expenses were involved.

IV. Procedures

21. Projects should be undertaken only at the request of a Government or group of Governments. Proposals could, however, be made by the chief executive officer after consultation with the Joint Advisory Committee and, whenever appropriate, with the Secretary-General of the United Nations and with the executive heads of the specialized agencies. In all cases, a request would have to be formulated by the Government or Governments concerned before final approval.

23. With the assistance of the Joint Advisory Committee, the chief executive officer would draw up a programme of operations on the basis of the technical evaluation of projects and within the limits of the resources expected to be available. For each particular project the programme would include:

(a) a summary of its technical evaluation; (b) a proposed budget showing the financial implications of the project in their entirety; (c) a draft agreement regarding the implementation of the project and its control.

25. After examination of the proposals submitted by the chief executive officer, the Executive Board would take a final decision and authorize the chief executive officer to make the appropriate arrangements, including the conclusion of the appropriate agreements for the implementation of projects.

24. Projects would be implemented as far as possible by the United Nations and/or the particular agencies concerned. Control of implementation would be exercised to the greatest possible extent by existing field services and by the staffs of the agencies charged with responsibility for execution of individual projects. The chief executive officer of the Special Fund would report on the status and implementation of projects to the Executive Board.

V. Financial Arrangements

25. The financial administration and management of the Special Fund should be governed by financial regulations which could be developed by the Secretary-General, in consultation with the chief executive officer, for review by the Executive Board and approval by the Advisory Committee on Administrative and Budgetary Questions.

26. It would appear that regulations for the Special Fund could be similar to those already applicable to the Special Account for the Expanded Programme of Technical Assistance. If this were the case, the Special Fund would be operated under the custodial authority of the Secretary-General, who would be responsible for receipt, management and disbursement of all moneys, and would account for all financial transactions. The procedures concerning acceptance of contributions, investments, internal financial controls, accounts and financial reports, and external audit could also be comparable to those for the Special Account.

27. Modifications would be necessary, however, in the provisions for committing and obligating funds and possibly in respect of certain other procedures. Specifically, authority should exist to approve programmes of more than one year's duration.

28. Also, if, as appears likely, the possibility should exist for an exchange of currencies between the Special Fund and the Special Account so as to assure maximum currency utilization, then authorization for such exchanges should be provided in the financial regulations.

29. An adaptation of existing procedures could be developed to provide for the acceptance and use of payments in local currency by recipient governments.

30. The actual funds for financing the office of the chief executive officer should come under the same process of review and approval by the General Assembly as other special offices of the United Nations, for which budgetary provision is made. The funds could be obtained by a grant of funds to the United Nations budget by the Executive Board of the Special Fund.

31. As contributions will be made voluntarily on an annual basis, the Technical Assistance Pledging Conference, which is held every year, could be reorganized so as to include pledging for the Special Fund. The services of the General Assembly's Negotiating Committee for Extrabudgetary Funds could also be used.

*Pro
Spec*

February 7, 1958

M. Philippe de Seynes
Under-Secretary
Department of Economic and
Social Affairs
United Nations
New York 17, New York

Dear M. de Seynes:

I am writing to give you, in accordance with your request, some comments on the draft Secretary-General's memorandum on "Administrative and Operational Machinery of the Special Fund," dated January 21, 1958. In view of the preliminary and confidential status of the paper, its review within the Bank has been confined to the staff level, so that these comments should not be taken as expressing the final and formal views of the Bank. The draft memorandum has not, in fact, been given to the Executive Directors. It is my understanding that this procedure accords with your wishes at this juncture.

Sincerely yours,

Davidson Sommers
Vice President

Enc.

DS:SBoskey:tf

cc: Mr. Sommers ✓

COMMENTS ON DRAFT OF SECRETARY-GENERAL'S MEMORANDUM
ON "ADMINISTRATIVE AND OPERATIONAL MACHINERY OF
THE SPECIAL FUND," DATED JANUARY 21, 1958.

For convenience, the following comments are set forth in the order of the paragraphs of the memorandum to which they relate.

1. The first comment has to do with the language purporting to assign responsibility for formulation of basic policy. Paragraph III of the Annex to the General Assembly resolution establishing the Special Fund declares that the Fund shall be administered by a chief executive officer "under policies established by an executive body in accordance with such rules and principles as may be laid down by the General Assembly and the Economic and Social Council." Presumably the draft memorandum is intended merely to give effect to this directive. However, it seems to us that that intention has not been expressed very clearly, and that some rewriting would be desirable. The first sentence of paragraph 7, on page 3, appears to assign to both the Economic and Social Council and the General Assembly the responsibility for "the formulation of basic policy directives," while the second sentence of that paragraph seems to entrust the task to the Economic and Social Council alone. Neither would be consistent with the language of the Annex quoted above. At the same time, paragraph 15 on page 5 declares it to be a function of the Executive Board to "formulate policy proposals for consideration by the Economic and Social Council." Only paragraph 9 on page 6 appears to comply with the directive of the Annex, in referring to "policies established by the Executive Board . . . in accordance with such principles as may be laid down by the Economic and Social Council and by the General Assembly."

We feel very strongly that the Special Fund should have the greatest possible independence of the Economic and Social Council and the General Assembly consistent with the provisions of the Annex to the General Assembly resolution. We would hope that whatever principles are laid down by the Economic and Social Council and the General Assembly would be broadly stated, and that the policy directives established by the Executive Board would leave considerable initiative and freedom of operation to the chief executive officer. We think that the Secretary-General's memorandum ought to give a much more positive expression to this relationship between the Fund and the United Nations organs. In this connection, consideration might be given to referring to the executive board as "the governing board" and to the chief executive officer as the "managing director" or "executive director", as being more descriptive of their respective responsibilities.

2. We agree with the proposal that the Executive Board of the Fund consist of no more than 14 members and we seriously question the advisability of offering at the outset the alternative of a larger Board,

as is done by paragraphs 14 and 17 on page 5. We suggest that these paragraphs be omitted from the Secretary-General's initial memorandum. Should a number of governments, in commenting on the memorandum, propose that the proposed Board membership be enlarged, the suggestion for merging in a single board executive responsibility for both the Special Fund and ETAP might then be advanced, with the correlative suggestion for a program committee or a committee of experts. In this connection, we would urge that any such board not be set up as a subordinate body of the ECOSOC, as the Technical Assistance Committee is. Only if the Board has the independence contemplated by the present draft proposal will the provisions for representation on the Board of both industrialized and less developed countries and for a qualified majority vote serve their intended purpose.

3. Paragraph 15 provides that the Board shall "decide on" projects submitted to it by the chief executive officer; similarly, paragraph 28 calls for a "decision" by the Board. We suggest substitution of the term "approve".

4. We agree with the statement in paragraph 16 that continuous sessions of the Board are not necessary. In practice it may appear that something more than two or three sessions a year are needed. At this stage we think that all that can be said is that the possibility of more frequent meetings should not be precluded.

5. Paragraph 23 on page 7 would establish an advisory committee, whose members would include the chief executive officer, and whose function it would be to advise the latter on the formulation of the Fund's program. (We assume that the executive officer was inadvertently omitted from the description of the committee in paragraph 18.) While recognizing that this proposal stems from the Scheyven Committee report, we question whether the recipient of advice should be a formal member of the committee established to advise him. There would, on the other hand, be no objection to the executive officer's being present at the deliberations of the advisory committee, or participating in committee discussions without voting.

6. We have two points to make concerning paragraphs 25 and 27. Paragraph 25 seems to contemplate that the Fund's own staff will be purely administrative and that projects will be appraised by and carried out by the specialized agencies exclusively. While we agree that the specialized agencies with particular competence should be consulted and their technical advice sought, we would hope that the Fund would itself have a small technical staff capable of evaluating projects and programs. Secondly, paragraph 27 appears to make the specialized agencies and the United Nations the exclusive mechanisms for the evaluation and execution of projects and programs. We do not think this is required or contemplated by the terms of the General Assembly resolution, which merely provides that reliance shall be placed "as far as possible" upon the services of the United Nations and the specialized agencies. The memorandum should not preclude the possibility that the United Nations or the specialized agencies might find it desirable to subcontract projects to firms and organizations with particular competence in a given field, or that the Fund itself might wish to make such contractual arrangements in appropriate cases.

FORM No. 75
(2-60)

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE
CORPORATION

INTERNATIONAL DEVELOPMENT
ASSOCIATION

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REMARKS

Found these in Mr. Lipkowitz's
old file. Would you be
interested in keeping it?

From

Lilia B. Galante 309

Spec Fund

UNITED NATIONS NATIONS UNIES
NEW YORK

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FILE NO.: EC 132/221(2)

5 February 1958

Dear Mr. Lipkowitz,

Thank you very much indeed for the suggestions for projects which might be financed by the Special Fund. This is most useful to us in the drafting of our paper for the Council. We have been a few days longer in drafting this paper than anticipated but I hope that a more or less complete draft will be ready early next week when copies will be sent to Mr. Lopez-Herrarte, on which I would be most grateful to receive any comments the Bank would care to make.

Again many thanks for the most helpful suggestions which you made both when you were in New York and in the paper which you so kindly prepared.

Yours sincerely,

Philippe de Seynes

Philippe de Seynes
Under-Secretary for
Economic and Social Affairs

Mr. Samuel Lipkowitz
International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington 25, D.C.

INCOMING MAIL ROUTING SLIP			Date FEB 7 1958	
Mr. Black	1024		Office Services	203
Mr. Broches	1113		Mr. Perry	620
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Mr. Nurick	1121		<i>h. Lapsley</i>	
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Remarks:

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FILE NO.: EC 132/221(2)

5 February 1958

Dear Enrique,

Thank you very much for your letter of 22 January attaching suggestions as to the kind of projects which might be financed by the New Special Fund. We are now in the process of drafting a paper on the kind of projects to be financed by the new Special Fund and the suggestions which you have sent us will be most helpful in the drafting of this paper. As soon as we have a complete draft, I will send you copies and would be most grateful to have both your and your colleagues' comments on it.

Yours sincerely,

Philippe de Seynes

Philippe de Seynes
Under-Secretary for
Economic and Social Affairs

Mr. Enrique Lopez-Herrarte
Liaison Officer
Technical Assistance and Liaison Staff
International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington 25, D.C.

RECEIVED
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

FEB 7 4 37 PM 1958

MEMORANDUM
TO: THE BOARD OF DIRECTORS
FROM: THE SECRETARY
SUBJECT: [Illegible]

[Illegible text]

[Illegible signature]

[Illegible text]

[Illegible text]

[Illegible text]



Record Removal Notice

File Title Liaison - United Nations [UN] - Special Fund - Correspondence - Volume 1		Barcode No. 30151492		
Document Date January 31, 1958	Document Type Report			
Correspondents / Participants				
Subject / Title UN Special Projects Fund				
Exception(s) Information Provided by Member Countries or Third Parties in Confidence				
Additional Comments		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group. <table border="1"><tr><td>Withdrawn by S. Alon</td><td>Date April 11, 2025</td></tr></table>	Withdrawn by S. Alon	Date April 11, 2025
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UN Special Fund

COPY

MAR 11 2025

WBG ARCHIVES

Teheran, Iran
Thursday, Jan. 30, 1958
(and Friday, Jan. 31)

Dear Enrique -

Thank you for your letter of January 24, telling me about Mr. Black's talk with the S.G. I must say that the S.G.'s suggestion surprised me; in view of his apparent reluctance to keep K. on as TAA Director General, I wonder why he wants him in the new post. Perhaps it was conceived as a way of bringing about the TAA/Economic Department merger. In any event, I agree with you that it is entirely too premature to be selecting candidates for the executive directorship of a fund which does not yet exist and the shape of which is still pretty unclear.

I read with interest - but not great enthusiasm - the U.N. paper on "Administrative and Operational Machinery of the Special Fund." Here are my comments, which I hope will arrive in time to be of use:

(1) I think the Fund has been given far too much inter-governmental supervision, and specifically that ECOSOC and the General Assembly play too large a role. To have the administration of the Fund controlled by an Executive Board is certainly right - and in fact that Executive Board, like our E.D.s, should probably meet at least once a month, not just two or three times a year, as the paper contemplates. The Board should act like the Board of Directors of a corporation, meeting for a few hours to pass on the chief executive officer's proposals; those proposals should not have to be kept in abeyance for two or three months pending a meeting of the Board. On the other hand, I believe that the Board should not be subject to policy "directives" of ECOSOC (Memo, p.3), nor to having its operations reviewed by both ECOSOC and the General Assembly. Couldn't the Fund be set up, in relation to ECOSOC and the G.A., as though it were a specialized agency - with the Executive Board determining policy, ECOSOC reviewing annually as in the case of the Bank, and the General Assembly limited to the functions set forth in para. 9? This may create legal problems for the U.N., and certainly violates precedent, but it seems to me essential if the director of the Fund is not to spend an inordinate amount of his time discussing (rather than formulating and carrying out) his program. The case of David Owen is very much in point.

(2) In connection with what I have already written, I shudder at the proposal in para. 14 that the Executive Board of the Fund should assume the functions of TAC. That would import a good deal of bad precedent. Perhaps a better way of accomplishing the objective is to suggest a fairly thorough revision of the machinery for reviewing the ETAP program - in which event having a single Board in charge of the Fund and ETAP would make sense.

(3) A minor point in para. 15: The Board should "approve", or "pass on" projects submitted by the director, not "decide on" them. The same thing applies to para. 28. Incidentally, why not call the "chief executive officer" something connoting real leadership - "general manager" or "executive director"?

(4) Para. 17 perhaps makes sense if the Board is to meet only 2 or 3 times a year - but it makes the administrative machinery awfully top-heavy. I think the Bank should take a strong position in favor of a Board of not more than 14 or 16, meeting at monthly intervals, and without any suggestion of any committees.

(5) Para. 21: shouldn't the director of the Fund also attend ACC?

(6) Para. 23: I don't think the director should be a member of the Joint Advisory Committee; he can't very well advise himself!

(7) My major difficulty with the paper concerns paras. 25 and 27. The picture I get from what is there written is of a staff of administrative people, experienced in paper work and in servicing governmental representatives, handling the Fund on the basis of work done by, and the knowledge and experience of, the Specialized Agencies. This is highly reminiscent of TAB. It is not what I would have thought desirable here, where considerably more executive initiative and management are needed. The specialized agencies should certainly be consulted and their technical opinions sought - but I believe the staff of the Fund should consist of highly qualified development generalists who are capable of evaluating projects on general policy grounds, of formulating new and constructive programs themselves, and of giving the Fund the kind of direction and leadership that the Bank has. I cannot believe that the Fund will operate properly if its director and staff must rely as extensively and as exclusively on the specialized agencies as the draft seems to imply.

(8) In connection with this last point, para. 27 contemplates that the Fund would have to rely on the U.N. or the specialized agencies for the evaluation of projects. I think this is clearly wrong; in some cases, perhaps the view of an engineering firm, or of a group of educators (outside UNESCO), should be sought; in others, perhaps there has already been a thorough survey by some such agency as the U.S. Bureau of Reclamation. In other words, the views of the specialized agency concerned should always be sought, but not exclusively nor conclusively. Similarly, (c) of that para. seems to contemplate that every project must be carried out by the U.N. or a specialized agency. But certainly in some cases the Fund may want to make a contract directly with Coverdale & Colpitts, for example - or if it wants to set up a new university in Africa, it may wish to deal with the University of Manchester and not with UNESCO. I believe the Fund would be hamstrung if it were confined as paragraph 27 contemplates. (And then perhaps Keenleyside would be quite a competent director!)

This is written in haste and without thought for composition or coherence. But in edited form (you may want to enlist Shirely's help), you may wish to circulate these views to Dave, ERB and others.

My best to you - I hope to see you not too long after this arrives.

/s/ Dick [Demuth]

Shirley, in a letter, advised that Dave had raised some question about para. 20 concerning appointment of the director. I think that para. is O.K. as drafted - if we asked for a legal veto on the S.G.'s nomination, I think we would be turned down by the Preparatory Committee, and I don't believe it to be necessary in view of the relationships which presently exist. Perhaps Black and the S.C. should agree on a candidate in fact before we are irrevocably committed to the Advisory Committee - but it should be, in my view, on a de facto, not a de jure basis.



Record Removal Notice

File Title Liaison - United Nations [UN] - Special Fund - Correspondence - Volume 1		Barcode No. 30151492		
Document Date January 21 - 29 [?], 1958	Document Type Correspondance			
Correspondents / Participants FAO; IBRD; UN				
Subject / Title Correspondence related to meetings for creation of UN Special Projects Fund; Fields of Assistance of the Special Projects Fund; Administrative and Operational Machinery of the Special Fund.				
Exception(s) Information Provided by Member Countries or Third Parties in Confidence				
Additional Comments		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group. <table border="1"><tr><td>Withdrawn by S. Alon</td><td>Date April 11, 2025</td></tr></table>	Withdrawn by S. Alon	Date April 11, 2025
Withdrawn by S. Alon	Date April 11, 2025			

*Air mail
Special Delivery*

January 22, 1958

M. Philippe de Seynes
Under-Secretary
Department of Economic and
Social Affairs
United Nations
New York 17, N. Y.

Dear Philippe:

Attached, in accordance with your request, are some suggestions as to the kinds of projects which might be financed by the new Special Fund.

In considering what to suggest, we have had in mind that the Fund is intended to finance so-called "pre-investment" projects. We have considered that into that category fall projects which are not likely to be financed by private capital and which, since they do not contribute directly to a country's productive capacity, are not normally financed by this Bank, but which nevertheless could be expected to facilitate new capital investment by creating conditions which would make such investment feasible or more effective. Of course, only in the context of a concrete proposal can it be determined whether a particular project is likely to induce or facilitate new investment. Some aerial surveys, for example, while providing data on which to base town planning, taxation schemes and being helpful in establishing and perfecting land titles, all of undoubted value to the process of economic development, might nevertheless not be immediately conducive to new investment. Other such surveys might be designed to provide information as to new locations of mineral deposits in commercially exploitable quantity, or as to possible sites for new dams; these might be expected to lead more directly to new investment. The enclosed list, therefore, is not intended to suggest that any and all proposals for aerial surveys, for example, should be financed by the Fund; we have in mind only that this is a kind of activity which might well be financed by the Special Fund, provided that in any given case a project satisfied the stated criteria or any others which may be adopted by the Fund.

- 2 -

I should also add that the list is far from exhaustive, either as to broad categories or possible projects within a category. It is intended to be illustrative only. Moreover, since by definition the kinds of projects which the Fund would finance are not eligible for Bank financing, our experience in this field is somewhat limited.

I hope, nevertheless, that these suggestions will be of some assistance to you. We shall of course be glad to give you comments on your draft paper when it is completed, and perhaps at that time we shall be able to suggest additional projects.

Sincerely yours,

Enrique Lopez-Herrarte
Liaison Officer
Technical Assistance and Liaison Staff

Attach.

ELH:SB:mo

cc: Mr. Aldewereld
Mr. Lipkowitz
Central files

A. LAND-USE AND SOIL SURVEYS

In many of the underdeveloped countries, agricultural development is hampered by the inadequacy of information about, and faulty evaluation of, the unutilized agricultural potentialities. Here land-use and soil surveys are called for, to inventory and classify available land, to determine how it may most effectively be used and what must be done to make it productive. To realize the greatest benefit from the surveys, their results must be related to research on and experimentation with particular crops and methods of cultivation, engineering and other technical aspects of irrigation and drainage requirements, and to economic studies of marketing possibilities and of the relative costs and benefits of alternative land uses.

1. Aerial surveys

Aerial surveys and photography may serve a variety of related objectives: the determination and classification of areas still available for cultivation; the provision of topographic data for particular irrigation projects; the location of dam sites; the delimitation and assessment of forest areas. Aerial surveys for one or another of these purposes have been recommended by Bank survey missions to Syria, Malaya, Jamaica and Surinam. They may serve such other purposes as providing topographical data for general mapping; serving as a basis for town planning; providing data for the location of roads; and enabling the classification of lands for tax purposes.

2. Soil surveys

Following upon the classification of land into broad types, based upon aerial photography, work can be done on the ground to determine how land already under cultivation can better be employed and how best to utilize unoccupied land. Surveys of this character have been recommended for Syria and Malaya.

B. DRAINAGE AND IRRIGATION

Projects in this category are closely related to surveys of land-use and soils. Their cost aspects are frequently overlooked or minimized through the pressure of various national policies, and projects are launched after only approximate financial analysis, and on the basis of inadequate information on soils, rainfall or stream flow to permit an accurate appraisal of the net benefits in relation to costs. The Bank's mission to Syria found that data on areas which might be irrigated by proposed projects, and on the quality of soils of the land to be irrigated, were unavailable. Misdirection of investment can be avoided by careful and comprehensive preliminary studies of the technical, engineering and cost aspects of projected drainage and irrigation projects. These studies, and particularly the compilation of the basic data which is a prerequisite for these studies, would seem appropriate for Fund financing.

C. MINERALS

In the mineral field, the government's task is to encourage the orderly development of resources and to create conditions which will attract private capital for their development. Information as to the extent of the mineral resources and the feasibility of their exploitation is essential for orderly development, calling for geological surveys and mapping, exploration and prospecting.

1. Surveys

a. Aerial surveys are frequently the most practical method of determining areas likely to warrant further investigation, either by establishing the probable existence of new minerals or by revealing the location and extent of deposits of minerals known to exist. Surveys for this purpose have been recommended by Bank survey missions to Malaya, Surinam and Nigeria.

b. Where, on the basis of aerial surveys or other investigations, the prospects for commercial mineral finds seem reasonably good in a particular area, a geological survey could further narrow the areas to be developed. Such a survey has been recommended for Jordan.

2. Exploration

Following upon aerial and ground surveys, exploration (essentially experimental drilling and testing) ought to be done in areas indicated by the surveys. It is not known whether, on policy grounds, the Fund would be prepared to finance this type of activity. If it did, it would seem that in any case it should not finance exploration for any minerals with an export market, such as oil, non-ferrous ores and iron: private capital, frequently foreign, has been readily available for this purpose. Nor would Fund financing seem called for in exploration for metals and minerals, such as graphite and mica, which are frequently found in small but rich ore bodies in shallow deposits accessible through non-mechanical operations: local private capital is often available for this purpose, since the investment required is relatively small. The only field of exploration in which it would appear that there was any ground for Fund interest is that of minerals characterized by low unit value and high bulk, for example, limestone or gravel, or solid fuels whose principal market is domestic. Foreign private capital is rarely interested in exploration for this kind of mineral and local capital is often timid for a variety of reasons. But even here, the practical problems of finding competent mining engineers to select sites for drilling and testing on the basis of the surveys, and personnel to supervise the field work, as well as the relative urgency of other demands on Fund resources, should be carefully weighed before an exploration project is approved.

D. FORESTRY

1. Forest inventory

Information on the timber stand, the topography and the location of the various wood species is essential to rational development of logging activities. The need for such an inventory was noted by the Bank survey missions to Surinam and British Guiana.

2. Forest products research

In some countries, of which Malaya is a notable example, the forest area is large but the low average quality and the difficulty of access has meant that only a small part is commercially exploited. Research directed at finding additional commercial uses for forestry products and at determining the possibilities for more extensive propagation of the commercially useful timber varieties would seem appropriate for Fund financing.

a. Improved utilization of hardwoods

In a number of African (Ghana, Nigeria) and Latin American (Surinam) countries utilization of tropical hardwood has been largely confined to a few species, suitable principally for logs for furniture and timber. Many species are not cut at all. Technical and economic studies might be undertaken to determine the potential of the presently uncut and abundant species for uses such as pulp and board (including plywood and fiberboard). These studies should include realistic estimates of pulping and other processing yields from hardwood trees so that the probable production costs of particular products may be estimated. Such studies should help to establish the range of prices within which production of pulp, paper and board from tropical hardwoods would be competitive.

b. Utilization of wood waste

Much wood waste is now used as fuel and the substitution of liquid (or solid) fuels is often inhibited by taxes or import duties. Where this is the case, it might be desirable to analyze the economics of using wood waste in the manufacture of pulp, board, etc.

3. Silviculture and forest management research

This activity is essential to continued forest productivity. Bank survey missions noted the need for it in Surinam and British Guiana.

4. Forest regeneration

Forest regeneration was recommended by Bank survey missions to British Guiana and Malaya. Studies of the economics of regeneration programs in particular areas can provide a basis for measuring the benefits of such programs against their costs, from a national economic standpoint; these studies might appropriately be financed by the Fund.

E. FISHERIES

In some countries, e.g., Malaya, the fisheries are an important contributor to the local diet and to employment. In some Latin American countries, the potential for inland fish culture is considerable and virtually unrealized. The Fund might finance such projects as:

1. Surveys of fishing grounds

These surveys can provide data on productive capacity and breeding habits, on which can be based governmental measures to improve the output of the fisheries.

2. Research and experimentation

It is assumed that basic research in the field of fisheries will be undertaken by existing technical programs. However, the Fund might appropriately finance research and experimentation methods and economics of preservation and processing and transportation and distribution techniques. Demonstration projects or schools to teach latest techniques might also be financed. A fisheries research and demonstration unit was recommended by the Bank survey mission to Nigeria.

3. Experimental inland fish culture

F. RESEARCH AND EXTENSION SERVICES

1. Agricultural

a. Depending upon the country involved, there is scope for studies of crop diversification; improvement of yields of the principal export crops; crop rotation; plant disease; technical and economic problems of mechanized farming; breeding of beef and dairy cattle for local conditions; fish culture; farm management; methods of pest control; processing of agricultural products; use of fertilizers; storage; soil conservation; seed selection; seed propagation. As has been noted in connection with other possible projects, projects in this category, to be eligible for Fund financing, should appear to have some satisfactorily immediate likelihood of leading to new capital investment. Some of the research activities, particularly those related to crops with an export market, might well be conducted on a regional, rather than a country, basis.

b. The Fund might finance and assist in the staffing of implement centers, which would devise more effective tools and equipment for the small farmer, provide field tests of equipment and arrange for commercial manufacture. Such a project was endorsed by the Bank survey mission to Syria.

2. Industrial

a. The Fund might finance and assist in the staffing of industrial research centers, which would investigate the technological and economic aspects of possible new industries, concentrating on those most likely to prove profitable and useful to the economy. They might consider the processing and industrial uses of locally available materials; the testing and standardization of products; the utilization of by-products; and the appraisal of costs and potential market outlets, for proposed new industries.

b. The Fund might finance and assist in the staffing of building research stations to develop cheap and durable methods of construction, using local materials. Such a project was recommended by the Bank survey mission to Syria.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

OFFICE MEMORANDUM

TO: Mr. S. Aldewereld

DATE: January 20, 1958

FROM: Samuel Lipkowitz *SL*

SUBJECT: U.N. Special Fund

Attached is a draft of a suggested memo to the U.N. Department of Economic and Social Affairs re the types of mineral projects which might be undertaken by the Special Fund.

I am also preparing a separate memorandum on projects in the forestry field, which should be ready tomorrow. Both memos were requested by the U.N.

I would like to discuss this with you at your earliest convenience, so as to expedite its dispatch.

The following comments are predicated on the premise that the Fund should undertake projects only if:

- 1) There is no reasonable likelihood that private capital will undertake the work in the expectation of private gain;
- 2) As a result of the project there is a reasonable probability that further expenditure will prove warranted from the standpoint of the national economy, e.g. that the benefits would stand favorable comparison with the costs.

A. In the field of minerals, aerial surveys are one type of pre-production activity, which appear likely to offer possible useful results in connection with possible future investment. Such aerial surveys properly conducted, should provide information on areas or regions which would warrant further investigation. The maps resulting from such surveys should also provide useful information in other connections, such as topography for highways, possibilities for cultivable land, etc. Such aerial surveys have for instance been recommended by the Bank in the case of Ethiopia.

B. Where as a result of aerial surveys or other means, there seem to be reasonably good long-range prospects for commercial mineral finds in particular areas, a national geological survey, properly staffed and equipped, could make investigations to further narrow down the areas which offer the best potential possible future investment. Such a program was recommended for Jordan by a Bank survey mission.

C. Mineral exploration may, in some cases, be an appropriate further stage in a pre-production program financed by the Fund. The type of exploration program, the purposes to be served by it and the possible availability of private capital (domestic or foreign) for such purposes must be judged on a case by case basis. Some of the possibilities are outlined below:

- 1) In the case of low unit-value, high bulk material e.g. building materials such as limestone, gravel, etc, or solid fuels whose market potential would ordinarily be greatest for local use, ~~the attractiveness to~~ ^{foreign} private capital is rarely interested and local capital may be timid for a variety of reasons. e.g. a high ratio of capital to output, lack of adequate transport

facilities, etc/

- 2) Metals or minerals, whose market potential lies largely in the export field, might be attractive to foreign private investors. Examples would be oil, non-ferrous ores and iron. Where the value per ton of ore is low and transport costs are significant, the economies of scale loom very large, and the required investment would be sizeable. In such cases, private capital is accustomed to making large exploration expenditures, cognizant of the risk that only a small minority of such ventures evolve into large scale investments. Tax deductions for such expenditure, where permitted, are a powerful incentive for such risk-taking.
- 3) Some metals and minerals are frequently found in numerous small separate, risk ore-bodies, which require only relatively small capital investment, because the deposits are shallow and frequently do not lend themselves readily to mechanized operation. The discovery of evidence of such mineral belts by trenching or other techniques could be a powerful inducement to private investment, local or foreign. The availability of local private capital is a key question in such cases.

From the foregoing it is evident that the validity of any a priori judgments on the degree or type of mineral exploration projects to be undertaken by the Fund will depend on factors differing from country to country and time to time. It may well be that other aspects of the problem, such as the governmental attitude on incentives to and restrictions on foreign private investors would assume major significance.

Mr. Black

January 2, 1958

Richard H. Demuth

U.N. Special Fund - Discussion with Mr. de Seynes

I had a two-hour talk with Mr. de Seynes on Monday, December 30, about the U.N. Special Fund.

Mr. de Seynes informed me that the Preparatory Committee which is to draw up detailed plans for the Special Fund will meet in New York on March 11. (He said that its deliberations might take as much as three months!) In preparation for the Committee's meeting, the U.N. Secretariat is planning to submit two papers to be completed by February 20. The first paper would discuss the types of activities which the Special Fund might be authorized to undertake and also various methods by which those activities might be carried out. The second paper would discuss the structure and organization of the Special Fund.

Mr. de Seynes said that he wanted our help in connection with the first paper on fields of activity, particularly in connection with possible Fund activities in the fields of resource development and technological institutes. I agreed that, subject to the approval of the management, we would submit a memorandum to Mr. de Seynes giving our ideas on these matters. With the concurrence of Messrs. Iliff, Knapp and Sommers, this assignment is being accepted and the work is being undertaken by Mr. Lipkowitz and Mrs. Boskey.

On the question of organization and structure, Mr. de Seynes asked me for a statement of the Bank's views. I replied that we had no fixed views except that our general attitude was one of affirmative co-operation and that, if the Fund were set up in a way that we regarded as workable, we would be glad to do what we could to assist in its operation. I said that we would welcome hearing Mr. de Seynes' thinking on this subject.

Mr. de Seynes responded that in his view the Bank should play a considerable role in the operation of the Fund, both because of the contribution which the Bank could make to the Fund in its present posture and also because of what he considered the probability that the Fund would develop into a financing institution. He said that he believed that many governments were also desirous of having the Bank participate, the donor countries because they considered that such participation would assure effective operation of the Fund, and the underdeveloped countries because they wished to have the Fund appear as much as possible in the guise of a financing rather than of a technical assistance operation.

He added that he was attracted by the idea of having a top-policy Joint Committee consisting of the U.N. Secretary-General, the President of the Bank, and the Director of the Fund. He pointed out that the

creation of such a Joint Committee had been recommended in the so-called "Scheyven Report" on SUNFED and he thought that this might facilitate its acceptance in the case of the new Special Fund. We had some discussion as to whether it would be desirable to add the Executive Chairman of the Technical Assistance Board to any such Joint Committee and agreed that this might be a good idea, first, because the Special Fund was designed to have a close connection with the technical assistance program, and second, because the membership of the TAB Executive Chairman might be considered as giving the other specialized agencies representation on the Joint Committee and thus provide at least a partial answer to the claims of such agencies for individual membership on the Committee.

Mr. de Seynes apparently conceived of the Joint Committee as having some direct supervisory jurisdiction over the Director of the Fund and suggested that it might be meeting very frequently in order to pass on decisions of the Director. I told him of your reluctance to accept any position which might involve reporting to an intergovernmental body other than the Executive Directors of the Bank and that I thought your membership would be facilitated if the Joint Committee were to be established as advisory to the Director, with the Director rather than the Joint Committee reporting to the Executive Board of the Special Fund. (Subsequent examination indicates that precisely this concept underlay the proposal of a Joint Committee in the SUNFED report.) Mr. de Seynes said that he would consider this matter further.

I inquired how the Director of the Fund would be appointed. Mr. de Seynes said that he assumed that the Executive Board would elect the Director on the recommendation either of the proposed Joint Committee or of the U.N. Secretary General after consultation with the other members of the Committee. He added that, however the matter might be decided de jure, the President of the Bank would certainly be consulted de facto. In this connection, it is interesting to note that the Scheyven Report suggested that the Director be appointed by the Executive Board in consultation with the U.N. Secretary-General and the President of the International Bank.

Mr. de Seynes indicated that he hoped the Special Fund staff could be kept small and that it could in effect contract out the administration of most of its projects to various specialized agencies or others. He said that he thought it would be desirable if the Bank could undertake some projects for the Special Fund on an ad hoc basis. I replied that I thought this would probably be acceptable to us, but that we would not wish to be charged with responsibility for carrying out any specified types of projects and would wish decision to be reached by mutual agreement in the case of each project.

Mr. de Seynes said that he thought it would also be useful if the Bank could lend a few technicians from its staff to serve as part of the staff of the Special Fund. I replied that, in principle, this type of cooperation would be acceptable, assuming that the general structure of the Fund were satisfactory; I pointed out, however, that the Bank's staff was very fully occupied and that in practice it might be difficult for the Bank to make available the calibre of technical experts which the Special Fund would need.

Mr. de Seynes remarked that, under the resolution adopted by the General Assembly, each of the specialized agencies was invited to submit its views on both the organization and structure and the field of activities of the Special Fund to the Preparatory Committee. He inquired whether we had given any thought to a Bank statement of views. I responded that I was quite sure that we would not wish to submit a paper on our own initiative, although we might possibly find it necessary or desirable to comment on suggestions made by others. I added that I thought the most desirable thing from our standpoint would be to have the Secretary-General's paper on organization and structure submitted in a form that the Bank could support without reservation. Mr. de Seynes said that he appreciated this position and that he would, within the next two weeks, prepare a preliminary draft of such a paper and submit it to us for comment. He shared my hope that we could reach agreement on all aspects of this proposed paper.

Mr. de Seynes indicated that, because of the time factor, the proposal for the appointment of Mr. McCloy or someone of equivalent stature to prepare recommendations for the Preparatory Committee was probably no longer feasible. He agreed fully with the advantages of the device we had suggested and would still like to adopt the suggestion, but was doubtful that practical considerations would permit of this.

After my talk with Mr. de Seynes, he visited the State Department to talk with Walter Kotschnig. Subsequently, he called Dr. Lopez-Herrarte to indicate that Mr. Kotschnig had also strongly expressed the view that the Bank should be very much involved in the Special Fund. I am meeting with Kotschnig tomorrow to find out what I can about the development of U.S. thinking on the problem.

RHD:tf

cc: Messrs. Sliff/Knappe/Sommers.

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MAR 11 2025

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Proposed U.S. Counter-Proposal to "SUNFED" at 12th UN General AssemblyBackground:

For the last 6 years the U.S. has been under increasing pressure in the United Nations to support the establishment of an international fund to provide capital for economic development in the form of grants and soft loans. SUNFED, a name taken from the initials of a report by experts on a Special United Nations Fund for Economic Development, has been the symbol around which proponents of a fund have rallied. At this time, SUNFED is only an idea; it is not an established institution. However, there is general understanding that, if established, its function would be to provide capital on easy terms for basic resource development of the less developed countries; its capital would come from voluntary contributions, periodically renewed; its initial size might be about \$250 million. For the rest, its precise form, administration, and responsibilities await the drafting of its charter.

The U.S. has consistently opposed the present establishment of a special UN development fund and has, until this year, successfully resisted pressures in the United Nations to proceed with drafting the charter of such a fund. We believe that if a UN fund were established at this time, the U.S. would be expected to carry the major financial burden; the contributions from others would be meager. Because of its global responsibilities and the log-rolling pressures to which it would be subject, the fund would not be able to concentrate on the most urgent and pressing areas but would dissipate its resources on minor projects all over the world without real impact on the development process anywhere. Once the fund were established, pressure on us would become insistent to increase our contribution. Our basic position has been that only when satisfactory progress has been made in internationally safeguarded disarmament and resources are released thereby for constructive use would the U.S. join with other countries in asking its people to support a UN fund for economic development.

Over the last few years we have delayed the establishment of SUNFED by supporting resolutions calling for studies by experts of various aspects of this matter. We have by now exhausted the possibilities of further innocuous studies, and this year we face a show-down on the establishment of a fund.

At the 24th session of the Economic and Social Council (ECOSOC), held this summer, a resolution was adopted by a vote of 15 for and 3 against (U.S., U.K., and Canada) urging the General Assembly to establish a SUNFED and to set up a preparatory commission to take the necessary steps.

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Present Situation:

The less developed countries such as the countries of Latin America, the countries of the Middle East, and the countries of Asia including Formosa have been unanimous and eloquent in their support of SUNFED. The Soviet Bloc has shifted its position and now favors the establishment of SUNFED. The more developed countries of the free world, originally united with us in opposition to the early establishment of such a fund, are finding it more and more difficult to resist the pressure. The Netherlands has taken the lead in pushing SUNFED. France has pledged its support. Norway and Denmark favor the early establishment of a fund, and other Western countries are prepared to go along. Even countries that are reluctant to see SUNFED come into being feel they must vote for it in the absence of any positive counter-proposal.

From present indications, it is likely that the General Assembly will vote to establish SUNFED by a large majority unless a positive and constructive alternative can be put forward. Moreover, the U.S. will be isolated in opposition. Even the U.K. and possibly Canada which voted with us in ECOSOC are presently considering only an abstention and appear to be prepared to participate in drafting the charter of SUNFED.

Effects of Establishment of SUNFED:

If SUNFED should be established with support from the Soviet Bloc and notwithstanding direct U.S. opposition, the U.S. position in the UN would be adversely affected. Friends and supporters in Latin America, Asia, and Africa who follow our lead on important issues would find it difficult to explain to their own people our refusal to participate in a multilateral fund of lively interest to them, especially when the Russians were prepared to do so. They might find it more difficult to vote consistently with us on political matters of concern to us but of marginal interest to them.

For their part, the Russians would have a propaganda victory at little or no cost to themselves. The Russians would have a plausible case for alleging that the U.S. shuns multilateral aid because U.S. aid is self-serving and by implication compromises the recipients while the Soviet supports aid under international auspices.

Our defeat on this issue would not be a one-time thing. The subject would come up regularly at every General Assembly. The difficulties that SUNFED would have in getting started would be attributed to our intransigence; and we would be subjected to continuing and increasing pressure to contribute to get SUNFED on the road. If SUNFED should begin operations with such funds as it might receive initially from France, the Netherlands, the Scandinavian countries and the Soviet Bloc, and if it used these funds to finance modest projects, a hospital here, a technical school there, a road elsewhere, the projects would have widespread appeal and U.S. non-participation would become increasingly hard to explain. Such prestige as SUNFED might acquire would redound to the Russians; its shortcomings would be laid at our door. We would then be faced with the alternatives

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of yielding to pressure and making a substantial contribution to SUNFED to avoid the unpleasant political consequences or of remaining aloof and letting the leadership on economic and social issues in the UN pass to the USSR.

For the past several years our delegations to the General Assembly have been unanimous in urging that the U.S. take a more positive position on economic and social matters so as to retain U.S. leadership in the United Nations. While our stand on the establishment of SUNFED has been negative, our position has been tolerable to date because the issue has been blurred by unanimous agreement to study the matter. The setting-up of SUNFED would bring the issue sharply into focus and the U.S. would be isolated.

Thus it is in the U.S. interest that SUNFED not be established and that the U.S. retain its leadership in the UN on economic and social matters.

U.S. Counter-Proposal:

Many of our friends and supporters among the developed and less developed countries, aware of our firm opposition to the establishment of SUNFED, are looking to us for some positive and constructive counter-proposal that will enable them to vote with us against the establishment of SUNFED. Even France and the Netherlands, who have been among the leading proponents of SUNFED, have approached us to find a way out of the dilemma.

We believe that a constructive counter-proposal would be to support an enlargement of the UN Technical Assistance Program both in the scope and nature of its operations and in the resources available to it. Technical assistance helps countries help themselves. It is by its nature a relatively low-cost operation that yields large returns in promoting economic development. It is for most less developed countries a necessary pre-condition for growth.

The UN Technical Assistance program is doing a useful job well but it is strapped for funds. It operates on an annual budget of about \$30 million (as compared with \$125-\$135 million annually for U.S. bilateral technical cooperation). It needs additional resources to enable it to do two important jobs: (a) to meet the pressing needs of the many newly independent nations while maintaining the momentum of its present activities within the existing scope of the program, and (b) to enlarge the scope of its activities to permit systematic and sustained work in certain basic pre-investment fields, such as intensive surveys of water, power and soil resources; engineering surveys; the staffing and equipping of regional training institutes in technology, statistics, and public administration; industrial research and productivity centers. Surveys,

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research and training of this kind are of basic importance for successful economic planning and progress but for lack of funds the UNTA program has had to abstain from such projects or to undertake them only in the most limited and piecemeal fashion. They require a larger outlay for supplies and equipment and more sustained support than the present program can afford. Emphasis on such projects of the pre-investment type would bring a new element into the technical assistance program and would help to create conditions that would facilitate private investment and more effective use of public investment funds, both national and international.

More specifically, the U.S. would state that we stand ready to support the enlargement of the UNTA program from its present \$30 million level per year up to \$100 million, it being understood that the U.S. percentage contribution will, within 3 years, be reduced to 33-1/3%. The total funds at the disposal of the UNTA per year would then be more than tripled while the U.S. dollar contribution (now \$15.5 million) would over time be doubled (\$33.3 million). We would suggest that within the total fund of up to \$100 million, a special fund be set aside (perhaps as much as \$50 million) and earmarked for concentrated work in special projects of the pre-investment type basic to economic development. We would propose that a preparatory commission be appointed by the General Assembly to study this matter and to determine the extent to which other governments would be prepared to contribute toward the \$100 million goal.

It is not unreasonable to believe that a U.S. initiative along these lines might carry. The UN Technical Assistance fund would not do the job envisaged for SUNFED. It would not build bridges, dams, roads, power plants, or houses; the capital required for that kind of job is completely out of line with the resources countries are prepared to make available. The technical assistance fund would, however, do a job of significant and basic importance. In less developed countries there is a shortage of administrative, managerial and technical skills at every level. There is little data on natural resources, and little or no experimentation on new and productive ways to use the resources that are known. The enlarged technical assistance program would help countries train their manpower and assess and use their resources more productively. Above all, it would, as suggested above, promote sound private and public investment.

-
- * The special projects would be in basic fields essential to growth e.g. surveys of water and power resources; education, technological, vocational and basic literacy; industrial research in the use of local materials; agricultural research and demonstrations. While the UNTA operates in these fields in a piecemeal way, the special projects fund would enable it to concentrate in depth in these fields and to support projects that are more costly, require more sustained assistance, and are more operational in nature. Priority would be given to projects within the basic fields that would have the widest impact e.g. regional institutes and training facilities of a permanent nature from which several neighboring countries could benefit; engineering surveys preparatory to development of water resources (flood control, irrigation, transportation, and power) affecting several countries e.g. the Mekong River bordering on four countries in Southeast Asia.

If other countries respond to the U.S. initiative, the U.S. contribution for fiscal year 1959 might have to be increased somewhat from its present level of \$15.5 million. It would be several years before the U.S. contribution would reach its peak of \$33-1/3 million.

From the U.S. point of view, the proposal has several advantages. We have a serious recruitment problem in our bilateral technical aid programs. Under the UNTA program we can tap experts from many countries. Moreover our contribution would be on a matching basis; every dollar contributed would elicit two dollars from others.

The proposal can stand on its own feet. Its dimensions are realistic in terms of what other countries can afford and what the UN can competently handle. The job can be undertaken within the framework of existing UN machinery. More important, it offers a practical and constructive way to promote economic development under UN auspices. It keeps the leadership and initiative in this field with the U.S.

In advancing this proposal the United States would not renege on its pledge first made by the President in his speech of April 16, 1953 and confirmed by our vote in support of General Assembly resolution 728 (VIII) of December 7, 1953 which declares that:

"We, the governments of the States Members of the United Nations, in order to promote higher standards of living and conditions of economic and social progress and development, stand ready to ask our peoples, when sufficient progress has been made in internationally supervised world-wide disarmament, to devote a portion of the savings achieved through such disarmament to an international fund, within the framework of the United Nations, to assist development and reconstruction in underdeveloped countries."

The present proposal is a substitute or alternative only to the early establishment of SUNFED. It does not preclude the later establishment of an International Investment Fund if and when the conditions set forth by the President and in the General Assembly resolution are attained.

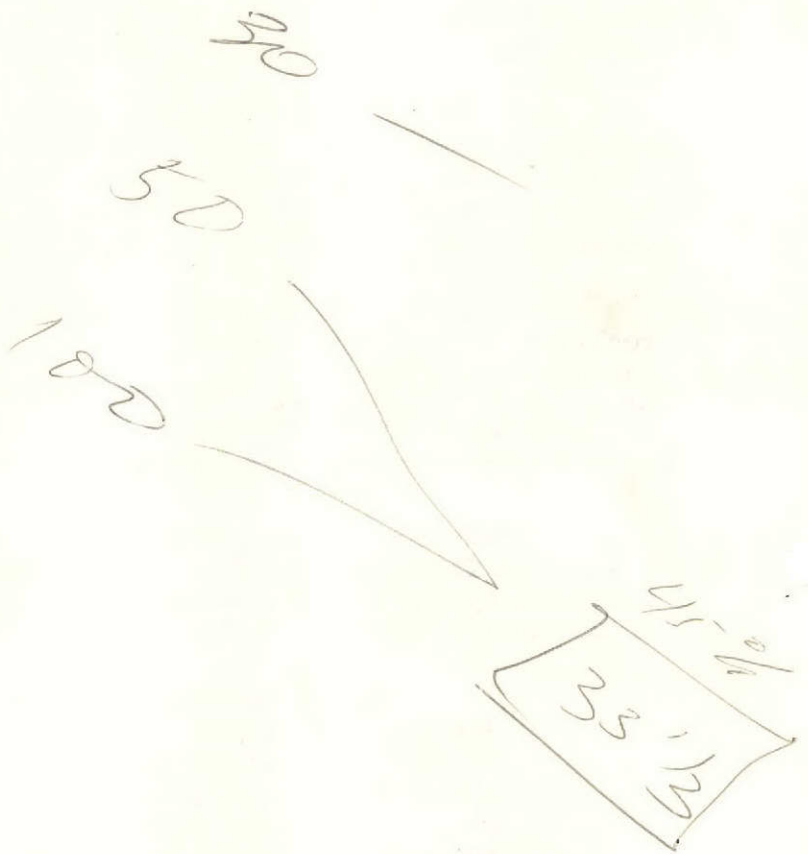
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Bill Adkins



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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

SecM57-177

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FROM: The Secretary

December 20, 1957

UNITED NATIONS SPECIAL FUND

As stated in the meeting of the Executive Directors on December 17, 1957, there is attached for information a copy of the compromise resolution which was unanimously adopted by the General Assembly of the United Nations on December 14, 1957.

Attachment

Distribution:

* Executive Directors and Alternates
President
Vice Presidents
Department Heads

Sec. 57-416

Resolution Adopted by United Nations General Assembly
on December 14, 1957

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 resolutions on the establishment of an international fund for economic development within the framework of the United Nations and, in particular, reaffirming its unanimously adopted resolution 724A and B (VIII) of 7 December 1953,

Noting the recommendation of the Economic and Social Council in its resolution 662 B (XXIV),

Recognizing that the United Nations Expanded Technical Assistance Programme is of proven effectiveness in promoting the economic development of the less developed countries,

Recognizing, however, that neither the Expanded Technical Assistance Programme nor other existing programmes of the United Nations or the specialized agencies can now meet certain urgent needs which, if met, would advance the processes of technical, economic and social development of the less developed countries, and, in particular, would facilitate new capital investments of all types - private and public, national and international - by creating conditions which will make such investments either feasible or more effective,

Convinced that a rapidly achieved enlargement in the financial resources and scope of technical assistance rendered by the United Nations and the specialized agencies to the less developed countries would constitute a constructive advance in United Nations assistance and would be of immediate significance in accelerating their economic development,

Recognizing that, while long-term pledges are desirable, some Governments are unable to make financial commitments except with the approval of their legislatures and on an annual basis,

A.

Commends the Ad Hoc Committee on the Question of the Establishment of a Special United Nations Fund for Economic Development for the work embodied in its final and supplementary reports prepared in accordance with General Assembly resolutions 923 (X) of 9 December 1955 and 1030 (XI) of 26 February 1957;

B.

1. Decides that, subject to the conditions prescribed hereunder, there shall be established as an expansion of the existing technical assistance and development activities of the United Nations and the specialized agencies a separate Special Fund which would provide systematic and sustained assistance in fields essential to the integrated technical, economic and social development of the less developed countries,

2. Decides further that, in view of the resources prospectively available at this time, which are not likely to exceed one hundred million dollars annually, the operations of the Fund shall be directed towards enlarging the scope of the United Nations programmes of technical assistance so as to include special projects in certain basic fields to be defined by the Preparatory Committee provided for in paragraph 4 below, for example, intensive surveys of water, mineral and potential power resources; the establishment, including staffing and equipping, of training institutes in public administration, statistics and technology, and of agricultural and industrial research and productivity centres;

3. Considers that while, without impairing the separate identity of the Special Fund, the fullest possible use should be made of the existing machinery of the United Nations, the specialized agencies (including the existing international financial institutions) and the Expanded Programme of Technical Assistance, the Special Fund will require some new administrative and operational machinery;

4. Decides to establish a Preparatory Committee composed of representatives of 16 Governments to do the following, taking into account the principles set out in the annex and the views and suggestions forwarded by Governments pursuant to paragraph 7;

(a) define the basic fields of assistance which the Special Fund should encompass and, within these fields, the types of projects which should be eligible for assistance;

(b) define in the light of paragraph 3 above, the administrative and operational machinery to be recommended for the Special Fund, including such changes as may be required in the present legislation and procedures of the Expanded Programme of Technical Assistance;

(c) ascertain the extent to which Governments would be willing to contribute to the Special Fund;

5. Requests the President of the General Assembly to appoint the members of the Preparatory Committee;

6. Invites the Secretary-General to provide the Preparatory Committee with all the necessary facilities, including the provision of such expert consultants as might be required;

7. Requests Governments to assist the Preparatory Committee in its work by forwarding their views and suggestions to the Preparatory Committee through the Secretary-General and, in particular, by indicating the extent to which they would be willing to contribute to the Special Fund;

8. Invites the Secretary-General, the executive heads of the specialized agencies and the Executive Chairman of the Technical Assistance Board to forward their views and suggestions to the Preparatory Committee;

9. Requests the Preparatory Committee to submit the results of its work in the form of a report and recommendations to the twenty-sixth session of the Economic and Social Council;

10. Requests the Economic and Social Council to transmit the Preparatory Committee's Report, together with its own comments, to the thirteenth session of the General Assembly for final action;

11. Looks forward to the establishment of the Special Fund as of 1 January 1959;

12. Appeals to all States Members of the United Nations, in a spirit of co-operation and solidarity, to give the greatest possible assistance to the Special Fund;

C.

Decides that as and when the resources prospectively available are considered by the General Assembly to be sufficient to enter into the field of capital development, principally the development of the economic and social infrastructure of the less developed countries, the General Assembly shall review the scope and future activities of the Fund and take such action as it may deem appropriate.

ANNEX

I. The Special Fund shall be a multilateral fund of the United Nations, with financial resources principally derived from voluntary annual contributions of Governments and others in (or transferable into) currency usable by it and as much as possible pledged or indicated for a number of years.

II. Assistance from the Special Fund shall be given only to projects which would make a contribution to the economic development of the requesting country or countries. The operations of the Special Fund shall be in conformity with the principles of the Charter of the United Nations and shall not be influenced by political considerations.

III. The Special Fund shall be administered by a chief executive officer under policies established by an executive body in accordance with such rules and principles as may be laid down by the General Assembly and the Economic and Social Council. The membership of the executive body shall be equally distributed between two groups, one consisting mainly of major contributing countries and the other consisting mainly of less developed countries. Each member of the executive body shall have one vote. Decisions of the executive body on questions of policy, including the allocation of funds, shall require a qualified majority vote.

Note: The following countries have been designated by the President of the General Assembly to serve on the Preparatory Committee: Canada, Chile, Denmark, Egypt, France, Ghana, India, Japan, Mexico, The Netherlands, Pakistan, Peru, U.S.S.R., United Kingdom, United States, and Yugoslavia.

STAFF LOAN COMMITTEE

MAR 11 2025

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Minutes of Staff Loan Committee Meeting held on Tuesday, December 17, 1957
at 3:30 p.m. in Room 1005

1. Present:

Mr. J. Burke Knapp, Chairman	Mr. L. B. Rist
Mr. J. Rucinski	Mr. H. W. Riley
Mr. S. R. Cope	Mr. R. H. Demuth
Mr. O. A. Schmidt	Mr. B. Chadenet
Mr. M. M. Rosen *	Mr. H. G. A. Woolley, Secretary
Mr. A. Broches	

In attendance:

Mr. Eugene R. Black *	Mr. P. H. French
Mr. W. A. B. Iliff	Mr. E. Lopez-Herrarte
Mr. Davidson Sommers	Mrs. S. Boskey
Mr. M. L. Hoffman	
Mr. M. M. Mendels *	

* Part only.

2. U.N. Special Fund

The Committee considered Memorandum SLC/O/921, "U. N. Special Fund,"
and

AGREED

- (a) that the Bank should certainly not remain aloof from the new U.N. Special Fund but should plan to establish a close cooperative association with it;
- (b) that, however, the Bank should not push its way into this association, that the Bank should await the expected approach from the Secretary General on this subject, and that, in the meanwhile, it was too early to reach any definite decision on the exact form of the future association;
- (c) that in the course of any preliminary discussions about Bank association that might be initiated by U.N., the Bank representatives should be guided by the principle that the Bank should be willing to cooperate to the extent that cooperation was compatible with the Bank's institutional structure and with its normal field of operational activity;

- (d) that the Bank should be prepared, in principle, to assume responsibility for the execution on behalf of the U.N. Special Fund of particular surveys which were within the Bank's special competence, subject to agreement in each instance; and
- (e) that the Bank should do what it can to assure the appointment of a suitable director for the new Fund.

3. The meeting adjourned at 5:00 p.m.

STAFF LOAN COMMITTEE

Mr. Summers
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MEMORANDUM TO THE STAFF LOAN COMMITTEE

U.N. Special Fund

Compromise resolution unanimously adopted by the Second Committee of the General Assembly on December 13 and approved by the General Assembly in plenary session on December 14 is attached as background information for the meeting to be held at 3:30 p.m. on December 17 (see SIC/A/690).

Herbert G. A. Woolley
Secretary
Staff Loan Committee

December 16, 1957

Resolution Adopted by United Nations General Assembly
on December 14, 1957

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 resolutions on the establishment of an international fund for economic development within the framework of the United Nations and, in particular, reaffirming its unanimously adopted resolution 724A and B (VIII) of 7 December 1953,

Noting the recommendation of the Economic and Social Council in its resolution 662 B (XXIV),

Recognizing that the United Nations Expanded Technical Assistance Programme is of proven effectiveness in promoting the economic development of the less developed countries,

Recognizing, however, that neither the Expanded Technical Assistance Programme nor other existing programmes of the United Nations or the specialized agencies can now meet certain urgent needs which, if met, would advance the processes of technical, economic and social development of the less developed countries, and, in particular, would facilitate new capital investments of all types - private and public, national and international - by creating conditions which will make such investments either feasible or more effective,

Convinced that a rapidly achieved enlargement in the financial resources and scope of technical assistance rendered by the United Nations and the specialized agencies to the less developed countries would constitute a constructive advance in United Nations assistance and would be of immediate significance in accelerating their economic development,

Recognizing that, while long-term pledges are desirable, some Governments are unable to make financial commitments except with the approval of their legislatures and on an annual basis,

A.

Commends the Ad Hoc Committee on the Question of the Establishment of a Special United Nations Fund for Economic Development for the work embodied in its final and supplementary reports prepared in accordance with General Assembly resolutions 923 (X) of 9 December 1955 and 1030 (XI) of 26 February 1957;

B.

1. Decides that, subject to the conditions prescribed hereunder, there shall be established as an expansion of the existing technical assistance and development activities of the United Nations and the specialized agencies a separate Special Fund which would provide systematic and sustained assistance in fields essential to the integrated technical, economic and social development of the less developed countries,

2. Decides further that, in view of the resources prospectively available at this time, which are not likely to exceed one hundred million dollars annually, the operations of the Fund shall be directed towards enlarging the scope of the United Nations programmes of technical assistance so as to include special projects in certain basic fields to be defined by the Preparatory Committee provided for in paragraph 4 below, for example, intensive surveys of water, mineral and potential power resources; the establishment, including staffing and equipping, of training institutes in public administration, statistics and technology, and of agricultural and industrial research and productivity centres;

3. Considers that while, without impairing the separate identity of the Special Fund, the fullest possible use should be made of the existing machinery of the United Nations, the specialized agencies (including the existing international financial institutions) and the Expanded Programme of Technical Assistance, the Special Fund will require some new administrative and operational machinery;

4. Decides to establish a Preparatory Committee composed of representatives of 16 Governments to do the following, taking into account the principles set out in the annex and the views and suggestions forwarded by Governments pursuant to paragraph 7;

(a) define the basic fields of assistance which the Special Fund should encompass and, within these fields, the types of projects which should be eligible for assistance;

(b) define in the light of paragraph 3 above, the administrative and operational machinery to be recommended for the Special Fund, including such changes as may be required in the present legislation and procedures of the Expanded Programme of Technical Assistance;

(c) ascertain the extent to which Governments would be willing to contribute to the Special Fund;

5. Requests the President of the General Assembly to appoint the members of the Preparatory Committee;
6. Invites the Secretary-General to provide the Preparatory Committee with all the necessary facilities, including the provision of such expert consultants as might be required;
7. Requests Governments to assist the Preparatory Committee in its work by forwarding their views and suggestions to the Preparatory Committee through the Secretary-General and, in particular, by indicating the extent to which they would be willing to contribute to the Special Fund;
8. Invites the Secretary-General, the executive heads of the specialized agencies and the Executive Chairman of the Technical Assistance Board to forward their views and suggestions to the Preparatory Committee;
9. Requests the Preparatory Committee to submit the results of its work in the form of a report and recommendations to the twenty-sixth session of the Economic and Social Council;
10. Requests the Economic and Social Council to transmit the Preparatory Committee's Report, together with its own comments, to the thirteenth session of the General Assembly for final action;
11. Looks forward to the establishment of the Special Fund as of 1 January 1959;
12. Appeals to all States Members of the United Nations, in a spirit of co-operation and solidarity, to give the greatest possible assistance to the Special Fund;

C.

Decides that as and when the resources prospectively available are considered by the General Assembly to be sufficient to enter into the field of capital development, principally the development of the economic and social infrastructure of the less developed countries, the General Assembly shall review the scope and future activities of the Fund and take such action as it may deem appropriate.

ANNEX

I. The Special Fund shall be a multilateral fund of the United Nations, with financial resources principally derived from voluntary annual contributions of Governments and others in (or transferable into) currency usable by it and as much as possible pledged or indicated for a number of years.

II. Assistance from the Special Fund shall be given only to projects which would make a contribution to the economic development of the requesting country or countries. The operations of the Special Fund shall be in conformity with the principles of the Charter of the United Nations and shall not be influenced by political considerations.

III. The Special Fund shall be administered by a chief executive officer under policies established by an executive body in accordance with such rules and principles as may be laid down by the General Assembly and the Economic and Social Council. The membership of the executive body shall be equally distributed between two groups, one consisting mainly of major contributing countries and the other consisting mainly of less developed countries. Each member of the executive body shall have one vote. Decisions of the executive body on questions of policy, including the allocation of funds, shall require a qualified majority vote.

Note: The following countries have been designated by the President of the General Assembly to serve on the Preparatory Committee: Canada, Chile, Denmark, Egypt, France, Ghana, India, Japan, Mexico, The Netherlands, Pakistan, Peru, U.S.S.R., United Kingdom, United States, and Yugoslavia.

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STAFF LOAN COMMITTEE

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SLC/A/690

FROM: Secretary, Staff Loan Committee

December 11, 1957

NOTICE OF MEETING

A meeting of the Staff Loan Committee will be held on Tuesday,
December 17, 1957 at 3:30 p.m. in Room 1005

AGENDA

U.N. Special Fund

The Committee will consider the attached Memorandum SLC/O/921,
""Bank Role in Proposed New U.N. Special Fund" dated December 9, 1957.

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SLC/O/921

To: Mr. Black

December 9, 1957

From: Richard H. Demuth

Subject: Bank Role in Proposed New U.N. Special Fund

This memorandum suggests some of the principal issues which the Bank will have to take into account in considering to what extent it might wish to associate itself with the United Nations Special Fund proposed by the United States, and what form that association might take. The purpose of the memorandum is to provide a basis for discussion within the Bank; it does not attempt to recommend a particular course of action.

The U.S. proposal, which has been circulated within the Bank, calls for the financing of certain basic "pre-investment" projects (surveying water, mineral and power resources; organizing, staffing and equipping regional training institutes in public administration, statistics and technology; and supporting industrial and agricultural research and productivity centers). It has been suggested that the Special Fund, if created, should be administered separately from the rest of the U.N. Technical Assistance Program, and both U.N. and U.S. sources have indicated that they would like the Bank to play some part in administering the Fund. This position has also been publicly taken in U.N. debates by several governments, notably Canada.

It is assumed that the Bank will wish to associate itself with the Special Fund in some way; as a practical matter, it would be difficult to refuse to do so. The extent of the association could in theory range from the extreme of assuming full responsibility for administration of the Fund to the other extreme of a mere general expression of willingness to cooperate with the Fund as the Bank now cooperates with other U.N. endeavors. Each of these positions has certain attractive aspects so far as the Bank is concerned, but political realities probably rule out the first and pragmatic considerations the second. Nevertheless, perhaps the best way of determining what course the Bank should follow is first to analyze the advantages and disadvantages of the two extreme positions and then to consider various intermediate forms of association.

I. The Bank as Administrator of the Fund

To make discussion of this alternative concrete, it is necessary to make certain assumptions as to the extent of the managerial responsibility which might be delegated to the Bank. It seems clear enough that the resources of the Fund will not just be turned over to the Bank's management to allocate and disburse for stated

purposes under the policy direction of the Bank's Executive Directors. Quite apart from the fact that this course would not be acceptable to a majority of the General Assembly who want to see the program at least appear to operate under the U.N. flag, it has the inherent defect that a number of participating U.N. countries (e.g., the Iron Curtain countries) are not represented on the Bank's Board. It may be taken for granted, therefore, that the Special Fund will have as its governing body an intergovernmental board or committee other than the Executive Directors of the Bank. On this premise, Bank administration of the entire Fund would, in effect, mean administration by the management of the Bank, reporting to and accepting policy guidance from a U.N. intergovernmental group.

There would be two principal advantages in this alternative. The immediate advantage is that the Special Fund would probably be administered more effectively by the Bank than by the U.N., not only because the Bank is in a better position than U.N. to select and supervise projects to be assisted by the Special Fund but also because it could tie in those projects with regular Bank financing. The long-range advantage to the Bank, and far the more important one, is that it would place the Bank in a preferred position among possible administrators of any new international development financing agency which may be created, or into which the Special Fund may evolve.

On the other hand, there are serious disadvantages in this role.

1. The Bank would have to deal with countries which are not members of the Bank, to negotiate with them the matter of transferability of their currency contributions to the Fund, and perhaps to carry out projects in some of those countries. Particularly insofar as the Iron Curtain countries are concerned, it is likely both that the Bank would not want to undertake this and that the countries concerned would object to the Bank's doing so.

2. The Bank is not particularly well equipped to evaluate the merits of some types of proposed projects, for example, the staffing and equipping of research and productivity centers, technical schools and training institutes in statistics and public administration, nor is it experienced in recruiting organizations or individuals competent in these fields. Yet as administrator of the Fund, the Bank would have to assume responsibility for handling, or contracting with others to handle, all types of projects consistent with the objectives of the Fund.

3. Administration of the Fund, in addition to requiring recruitment of a considerable number of new staff members, would inevitably increase the burden on the Bank's management as well as on the service departments such as Treasurer's, Legal and Administration. It would also involve responsibility for activities and decisions which might not prove wholly congenial to the Bank, as for example

recommending an allocation of the Special Fund's resources among potential recipient countries, handling the procurement of equipment and supplies, and dealing with the other specialized agencies (e.g., FAO, ILO and UNESCO) on projects within their special fields of competence. It would probably also involve the Bank in the annual process of raising money for the Special Fund from the participating governments.

4. As administrator of the Fund, the Bank would find itself in much closer association with the U.N. than has been the case in the past, and this might make it more difficult to preserve the former relationship insofar as purely Bank activities are concerned.

5. There is a real question whether it is possible, at least in the first few years, to use effectively as much as the contemplated \$50 million a year for the type of projects intended to be financed by the Special Fund. A careful administrator is therefore likely to be subject to widespread criticism simply because, as a result of conscientious administration, the Fund fails to live up to its founders' undue expectations.

II. The Bank as a "Cooperating" Agency

The advantages of merely "cooperating" with the Fund are that the Bank would not have to make any of the difficult practical and political decisions incident to administering the Fund, it would not become involved with the U.N. to any significantly greater extent than heretofore, its work-load would not be appreciably increased and it would not be blamed for shortcomings beyond its power to control.

There are, however, serious disadvantages in the virtually passive role. It would mean loss of any real opportunity to achieve effective coordination of Special Fund activities with those of the Bank, and incidentally to achieve better coordination of the U.N. technical assistance program with Bank operations. More important, if the Bank does not assume some sort of active role in connection with the Special Fund, it will not be in a good position to exercise much influence in connection with the administration of any new U.N. development financing fund which may subsequently be created or into which the Special Fund may evolve. If, in the judgment of the Bank, there is a real likelihood of a SUNFED eventually being created, and if it is thought to be important that the Bank have an effective voice in the administration of SUNFED, a purely passive role in connection with the presently proposed Fund would not seem indicated.

III. Possible Middle Grounds

There are several possible forms of association, both formal and informal, short of full administration but more than mere "cooperation." The informal ones would include advising on the appointment of, or nominating, the Fund's administrator; seconding Bank personnel to the Special Fund; and agreeing to undertake congenial projects. One

suggestion for a more formal tie has also been made: that the President of the Bank serve as a member of a committee which would function in the area between the director of the Fund and the governing board, advising the one and reporting to the other. These possibilities are not mutually exclusive: the Bank might establish contact with the Fund in several informal ways, or might combine these with the institutional tie.

Each of the intermediate methods of association has something in its favor. None of them in isolation would be a particularly good springboard to ultimate administration of SUNFED, but in combination they might well be. Moreover, the experience gained by the Bank in connection with the Special Fund might be a useful guide to Bank policy if and when a SUNFED is created.

1. A director appointed with the Bank's approval or nominated by the Bank would presumably be friendly to the Bank. Through him the Bank would be able, unofficially and informally, to advise on and to keep itself informed of Special Fund policies, thus enabling it to make its influence felt without becoming directly involved in and responsible for the Fund program.

2. The seconding of Bank technical staff would have similar advantages and would further facilitate coordination of Special Fund activities with Bank projects. This would be particularly effective as a form of Bank association if the director is a Bank-nominated man.

3. Administration of congenial projects only, i.e., those most closely akin to normal Bank activities, such as resource surveys, and perhaps also those, such as technological institutes and productivity centers, which no other specialized agency is particularly qualified to carry out, would have the advantage of bringing the Bank actively into the Fund program but only in limited and well-defined areas. However, it would probably be necessary that the Bank rule out any projects, of whatever nature, in Iron Curtain countries. And any operational role, however limited, would involve the Bank in a certain amount of pulling and hauling among the other U.N. agencies administering other projects, something it has so far avoided with fair success in connection with the technical assistance program.

4. The formal tie which has been suggested is membership by the President of the Bank on a committee whose other members might be the Secretary-General of the U.N. and either the Chairman of the U.N. Technical Assistance Board or the Administrator of the Special Fund. This would enable the Bank to exert an influence on policy-making for the Fund without wholly identifying itself with the Fund's administration, and to keep itself informed of the progress and direction of the Fund program without necessarily accepting any operating responsibility. Further, it would be concrete evidence of the special position of the Bank, as distinguished from the other specialized agencies, in connection with general international developmental activities, and this might prove most useful in connection with any future SUNFED administration.

Certainly, if the Fund's director were a Bank-nominated man, the support which Bank representation on such a committee would give him might prove invaluable. On the other hand, if a weak, ineffective administrator should be named to head the Fund, it is doubtful that the Bank would want to have the formal association which membership on a committee of this kind would imply. In fact, whether or not the Bank should look with favor on a formal tie of the kind suggested would seem to depend very largely on the extent to which it decides to associate itself with administration of the Fund in some of the other ways discussed.

Mr. Black

November 20, 1957

Richard H. Dornth

Your Discussion with Mr. Dillon on Friday

You asked me yesterday whether, when you see Mr. Dillon on Friday, you should tell him that the Bank expected to come up with suggestions with respect to the administration of the new Special Project Fund, which the U.S. has suggested should be set up within the UN technical assistance program. I answered then that I thought it was too early for you to say this, and that is still my feeling.

On reflection, however, there is one point I think you should make to Dillon about this subject. If the U.S. proposal (as it stands, or with modifications) is adopted, the procedure will be for the General Assembly to establish a preparatory committee to define the proposal in more detail and to make recommendations on administrative and other matters. Whether sensible administrative arrangements are worked out depends to a very large extent on the calibre of the members of this preparatory committee. If it is a low-level, bureaucratic group, then we will probably have an unsatisfactory bureaucratic solution like the one which was evolved for the technical assistance program when it was first established. On the other hand, if the preparatory committee consists of private citizens of competence and stature -- people, incidentally, who would be inclined to pay more attention to views expressed by the Bank than to those expressed by David Owen, for example, -- I think we can be more hopeful that the administrative arrangements will be satisfactory.

If the United States agrees with this view, the way to get the kind of committee I have suggested is for the U.S. to decide now the kind of man it intends to select to represent it on the committee and then to let that decision be known in General Assembly circles. Enrique has suggested that Nelson Rockefeller would be a good choice and I am inclined to share that opinion. His designation, if he were willing to serve, would, I think, be well received by most other countries and would induce them to name representatives of some stature to the committee. And when, as and if the Bank has some concrete proposals to sell, Rockefeller would doubtless be a receptive buyer. But whether Rockefeller is the man or not, the important thing is for the U.S. to decide now that it wants someone of his stature to represent the U.S. on the preparatory committee, and to publish that fact to the other delegations.

cc: Messrs. Iliff, Knapp, Sommers and Lopez-Herrarte

RHD:tf

OFFICE MEMORANDUM

TO: Files

FROM: Richard H. Demuth

SUBJECT: U.S. Proposal for New UN Special Project Fund

DATE: November 15, 1957

I called the State Department today to inquire as to the status of the resolution which the U.S. delegation is expected to present at the UN General Assembly in advance of the debate, which starts next Monday, on the item of financing economic development -- i.e., the SUNFED debate. I was told that the U.S. expected to table the resolution sometime tomorrow but that it was still being changed and that there was no copy that could be shown to us. The substance of the resolution, however, was given to me over the telephone.

In essence, the resolution incorporates the proposal previously circulated within the Bank. It starts out with preambulatory material, which praises the international technical assistance program and sets forth that this program needs to be increased in size and in depth. In its operative paragraphs, the proposed resolution then provides for an increase in the present program up to \$50 million and for the creation of a Special Project Fund of up to \$50 million. According to the original draft of the State Department resolution, this Special Project Fund was to be established "within" the existing technical assistance program and its operation was to be "integrated with" that program. The resolution proceeds to establish a preparatory committee, consisting of representatives of governments designated by the President of the General Assembly, with responsibility to (a) define the fields in which the new Special Project Fund will operate, (b) define the changes which may need to be made in the existing technical assistance program, (c) ascertain what additional contributions governments may be willing to make to increase the program and to establish the Fund, and (d) prepare amendments to the existing technical assistance legislation.

Apparently there is pressure being put on the U.S. by other delegations to omit from the resolution the statements to the effect that the new Special Project Fund will be established "within" the technical assistance program and that its operations will be "integrated with" that program. This pressure, it may be assumed, comes from countries which wish to see the Special Project Fund serve as a precursor to SUNFED. Omission of these words would, in effect, give the proposed preparatory committee greater flexibility to decide on precisely how the Fund should be administered.

It is not at all clear at the moment how the debate will come out. I am told that the Dutch are sticking by their original resolution providing for the immediate establishment of SUNFED. On the other hand, there are reports that Pakistan, Yugoslavia and a number of Latin American

delegations are likely to support the U.S. proposal. At best, even if the U.S. proposal should win, it seems likely to be amended so as to make clear that the General Assembly does not regard the establishment of the Special Project Fund as a substitute for SUNFED.

cc: Messrs. Black, Iliff, Knapp and Sommers

UNITED STATES PROPOSAL

For several years, the United States has consistently supported the idea of an international development fund in principle. This support was made clear in Resolution 724 of the 8th General Assembly, which was adopted on the initiative of the United States Delegation. The United States continues to stand by the pledge contained in this resolution to ask the American people, when sufficient progress has been made in internationally supervised disarmament, to join with other countries to devote a portion of the savings achieved by such disarmament to an international fund, within the framework of the United Nations, for the economic development of underdeveloped countries. The United States has continued to oppose the establishment of this fund before sufficient resources have been released through international disarmament to insure its successful operation. Under present conditions, it is not practicable to contemplate the establishment of a genuinely multilateral capital fund designed to make a substantial impact on the economic problems of underdeveloped countries.

The United States Government is, therefore, not prepared to support the establishment of a Special United Nations Fund for Economic Development at this time. It will not at this session of the General Assembly support any resolution which would authorize its establishment now, including the resolution already introduced in Committee II by eleven countries (Document A/C.2/L334). Moreover, the United States Government will not participate in any preparatory commission set up for the purpose of establishing an international development fund at this time.

The United States believes that, under existing conditions, a more constructive approach to the problem of economic development is to use such additional resources as member countries are prepared to make available to a multilateral program to support a substantial enlargement in the scope and nature of the United Nations Expanded Technical Assistance Program. The Expanded Program needs substantial additional financial resources if the United Nations is to (a) meet the pressing needs for technical assistance of the kind which has been offered by the United Nations in recent years, including the needs of many newly independent countries; (b) undertake a substantial enlargement of the scope and nature of present United Nations Technical Assistance activities to permit systematic and sustained work in certain fields which are basic to any large scale economic development, such as intensive surveys of water, mineral and potential power resources; the establishment, including staffing and equipping, of regional training institutes in public administration, statistics and technology and of industrial research and productivity centers. Obviously, this kind of surveys, research and training is of basic importance to successful economic planning and development. However, such projects would require a relatively large outlay for supplies and equipment and more sustained support than the Expanded Program can afford with its present resources. Projects of this kind are essential in many areas in order to facilitate investment of all kinds - private and public, national and international - by creating conditions which will make such investment either feasible or more effective.

The United States

The United States Delegation will propose in the Second Committee that the resources now available to the Expanded Program of Technical Assistance be increased up to 100 million dollars. While the Expanded Program would, of course, be continued there would be a new United Nations effort to assist underdeveloped countries, in the form of a substantial Special Project Fund to be established within this amount and earmarked for concentrated work on surveys, research and training projects which are of basic importance to successful economic progress. As is the case with the present Expanded Technical Assistance Program, contributions would be on a sharing basis. The United States contribution, as presently provided in Congressional legislation, would be 38 percent of the total of contributions for calendar year 1957 and 33-1/3 percent of the total of contributions for 1960 and following years. If this proposal is accepted by the United Nations, the amount now available under the Expanded Program would be more than tripled, while the United States contribution would be more than doubled from its present level.

The United States Delegation will, therefore, introduce in the Second Committee an alternative resolution under which the General Assembly would appoint a preparatory commission charged with (a) defining the basic fields, and within these basic fields the types of projects, to be eligible for assistance from the Special Project Fund, (b) defining changes in the present administrative arrangements of the Expanded Program necessary to assure rapid and effective use of the Special Project Fund, (c) ascertain the extent to which governments are willing to contribute to such an enlarged program and what amounts they are prepared to earmark for the Special Project Fund from their increased contributions and (d) preparing the necessary amendments to existing legislation and procedures governing the Expanded Program. The specialized agencies, the United Nations Technical Assistance Administration, and the Technical Assistance Board, would be invited to submit their views and suggestions to the preparatory committee through the Secretary General, ~~in the Committee~~. The preparatory committee would be requested to submit its report and recommendations to the 26th session of the Economic and Social Council which would be requested to submit these recommendations together with its own comments to the next session of the General Assembly for final action in 1958.

(i.e. the summer)

* That's next summer's session

TO: Management and Department Heads

DATE: November 12, 1957

FROM: Richard H. Demuth

Attached for information is a copy of a paper which the United States delegation to the United Nations has informally circulated among delegations to the General Assembly, describing its proposal for an expansion of the Technical Assistance Program.

Distribution:

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The United States Delegation will propose in the Second Committee that the resources now available to the Expanded Program of Technical Assistance be increased up to 100 million dollars. While the Expanded Program would, of course, be continued there would be a new United Nations effort to assist underdeveloped countries, in the form of a substantial Special Project Fund to be established within this amount and earmarked for concentrated work on surveys, research and training projects which are of basic importance to successful economic progress. As is the case with the present Expanded Technical Assistance Program, contributions would be on a sharing basis. The United States contribution, as presently provided in Congressional legislation, would be 38 percent of the total of contributions for calendar year 1959 and 33-1/3 percent of the total of contributions for 1960 and the following years. If this proposal is accepted by the United Nations, the amount now available under the Expanded Program would be more than tripled, while the United States contribution would be more than doubled from its present level.

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* That is, next summer's session.

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November 14, 1957

WBG ARCHIVES

STAFF LOAN COMMITTEE

Memorandum from the Technical Assistance
and Liaison Staff

THE UNITED NATIONS EXPANDED TECHNICAL ASSISTANCE PROGRAM

1. Organizational Structure

The organizational structure of the U.N. Expanded Technical Assistance Program is as follows:

The Economic and Social Council (ECOSOC) has general policy control over the program.

The Technical Assistance Committee (TAC), a Committee of the whole of ECOSOC, exercises general supervision over the program for ECOSOC.

The Technical Assistance Board (TAB), made up of representatives of the eight participating agencies, is in theory responsible for allocating the Expanded Program funds and planning and coordinating the over-all program. Its actual functioning is described in section 3 below.

The Participating Agencies are:

U.N. Technical Assistance Administration (TAA) (see section 4 below)

International Labor Organization (ILO)

Food and Agriculture Organization (FAO)

United Nations Educational, Scientific and Cultural Organization (UNESCO)

World Health Organization (WHO)

International Civil Aviation Organization (ICAO)

World Meteorological Organization (WMO)

International Telecommunications Union (ITU)

2. Main Features of the Program

The program operates through a special fund subscribed each year at a "pledging conference" to which are invited all member countries of the U.N. or of any specialized agency. Pledges for 1957 were about \$31 million;

amounts have increased two to three million dollars a year over the past five years. The United States has contributed about half the funds in the past but has announced a policy of gradually reducing its percentage so that by 1960 it will contribute not more than one-third.

The program consists almost entirely of supplying experts and providing training fellowships. Small amounts of equipment directly related to the work of the experts may be supplied. In 1956 over 2,300 experts were in the field on 1,300 different projects and over 2,000 fellowships were granted. The agencies pay the salaries and external costs of the experts. The countries contribute toward local costs on a formula basis; the agencies supplement these payments to some extent.

Although eight organizations participate, over half of the funds go to UNTAA and FAO, each of which gets about a quarter of the total. About one-fifth goes to WHO, so that these three agencies together account for around 70% of the program. (Fields covered by UNTAA are discussed in section 4 below.)

The agencies operate their parts of the "expanded technical assistance program" along with their regular programs, which may also include some technical assistance activities. (TAA has some money for technical assistance from the regular U.N. budget.)

3. Administration of the Program: TAB in Theory and Practice

TAB is made up of the heads of the eight participating agencies or their designees. There is an Executive Chairman appointed by the U.N. Secretary-General after consultation with the agency heads; he not only presides over TAB meetings but administers the TAB staff and field offices. His powers derive largely from Board action, but he has certain rights of appeal to TAC in case of disagreement with the Board.

In theory TAB is an executive body designed to formulate and supervise the Expanded Technical Assistance program in a way that will insure the best use of technical assistance funds for projects of the highest priority. Actually it hardly performs this function at all; TAB's basic organizational structure is such as to make the Board at best a coordinating rather than an executive body.

TAB is essentially a committee representing autonomous agencies, with no real institutional identity or substantive jurisdiction of its own. The agency representatives who compose the Board's membership naturally tend to reflect the interests of their own organizations and to be vigilant to protect these against encroachment by TAB itself or by other agencies. The system works only because the Executive Chairman has played the role of moderator and has not sought to exercise executive leadership.

The process by which annual programs are formulated and funds are allocated is a rather elaborate one called "country programming": (a) TAB develops tentative "target" figures for each country and for each agency within a country, based on the agencies' recommendations; (b) country programs are developed by governments in consultation with agency field staff and with a field representative of TAB often acting in a coordinating capacity; (c) the country programs so formulated are reviewed and, sometimes with modifications, approved by TAB; and (d) necessary program changes are approved by TAB or by the Executive Chairman on behalf of TAB as the year proceeds. The Executive Chairman has a contingency fund of about \$1,500,000 a year to provide for special situations that cannot be handled through the regular allocations.

In program formulation, great weight is given to government requests. Such modification or refinement as may take place is done largely by agencies; TAB puts the programs together and adjusts them to fit the amount of money available. In practice the general pattern remains about the same from year to year; the proportion of total funds allotted to each agency and the proportions allotted to the principal regions of the world have not varied more than 2% in any instance in the last four years.

In reality, TAB has operated largely as an administrative and procedural body rather than a policy-making one. It has a relatively small headquarters staff which concentrates primarily on the problems involved in disbursing and accounting for technical assistance funds, on the administration of field offices and on promulgating procedural rules covering such matters as local costs, financial reporting and the like. There are some 30 TAB field offices serving about 50 countries, usually with a Resident Representative, an assistant and some clerical staff; these coordinate the program in a general way. Neither the field nor headquarters staff seeks or is equipped to deal with the evaluation or administration of specific projects.

TAB provides a useful mechanism for interagency coordination of projects, both through Board discussions and through the interchange of information. Because of the great disparity in the fields of operation of the participating agencies, however, most of their work is quite properly carried out independently of the activities of other agencies.

4. Some Comments on TAA

TAA is a separate organization within the U.N. secretariat, with a Director-General who reports to the Secretary-General. It is somewhat like a specialized agency and unlike the rest of the U.N. secretariat in that it is an operating body; its function is to administer the technical assistance program in fields not covered by the other agencies. Its principal areas are economic and financial advice, industry, power, natural resources, transportation, public administration and social welfare.

TAA's activities consist primarily of the provision of experts and the awarding of fellowships. Its staff is essentially administrative in character; it does not, for example, have any technical personnel to evaluate proposed projects or to backstop and supervise TAA experts in the field. In the fiscal and social welfare fields, the U.N. Department of Economic and Social Affairs renders rather active supporting services but such assistance is not available in industry, transportation, power or other specialized fields. There is a separate Public Administration Division in TAA but this group, like the rest of TAA's staff, appears to serve more in an administrative than in a substantive capacity.

TAA (and the other agencies to some extent) recruits its experts on the nomination of governments, or with their approval if it recruits through other channels. This makes it difficult to maintain high personnel standards. Moreover, salary ceilings for experts are somewhat low and, because projects are approved only for a year at a time, appointments are made only on a one or two year basis; these factors also hamper recruitment of highly qualified personnel.

5. Relation of the Bank to the Technical Assistance Program

The Bank and Fund are "observers" on TAB. In recent years, however, the Bank has rarely participated in TAB deliberations because these have been concerned largely with procedural and financial details rather than with matters of substantive policy.

The Bank and TAA are now engaged in one joint project, the sponsorship of the Ceylon Institute of Scientific and Industrial Research. In 1950 and 1951 the Bank and FAO jointly sponsored agricultural survey missions to Uruguay and Chile and FAO has cooperated with the Bank in recruiting agricultural experts and reviewing their reports in the case of most of our survey missions. WHO and UNESCO have also assisted in the work of some survey missions.

Informal meetings are held periodically between senior officials of the Bank and of the U.N. Department of Economic and Social Affairs, TAA and TAB. Newly-appointed field representatives of TAB visit the Bank as part of their orientation process and the Bank is also frequently asked to brief TAA experts on their way to take up field assignments. It is less frequent, however, that the resources of the Bank have been sought to advise on the merits of proposed technical assistance projects or on recommendations made by technical assistance experts.