

RESOLUTIONS ADOPTED ON THE REPORTS OF THE SECOND COMMITTEE

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1240 (XIII). Establishment of the Special Fund

The General Assembly,

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

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

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

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

Noting the recommendations contained in Economic and Social Council resolution 692 (XXVI) of 31 July 1958,

Part A

1. *Commends* the Preparatory Committee on its work;
2. *Establishes* a Special Fund in accordance with the provisions set forth in part B below;

Part B

I. GUIDING PRINCIPLES AND CRITERIA

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

- (a) Be a separate fund;
- (b) Provide systematic and sustained assistance in fields essential to the integrated technical, economic and social development of the less developed countries;
- (c) In view of the resources prospectively 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 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;

(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 PROJECT

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 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 Fund, in such proportions as are judged necessary by the Managing Director for each project, taking into account the type of assistance requested by Governments.

III. PARTICIPATION IN THE SPECIAL FUND

7. Participation in the Special Fund shall be open to any States Members of the United Nations or members of the specialized agencies or of the 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 Fund their powers under the Charter.

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

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

Governing Council

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

12. The Governing Council shall provide general policy guidance on the administration and operations of the Special Fund. It shall have final authority for the approval of the projects and programmes recommended by the Managing Director. It shall review the administration and the execution of the Fund's approved projects, and shall submit reports and recommendations to the Economic and Social Council, including such recommendations as the Governing Council may deem appropriate in the light of the relevant provisions of General Assembly resolution 1219 (XII).

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

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

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

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

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

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

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

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

Managing Director

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

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

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

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

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

Consultative Board

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

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

Staff

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

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

30. To facilitate the field co-ordination between the Special Fund and the Expanded Programme of Technical Assistance

in the countries seeking assistance, the Managing Director shall enter into an agreement with the Executive Chairman of the Technical Assistance Board concerning the role of the resident representatives in the work of the Fund.

V. PROCEDURES

Sources and formulation of requests

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

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

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

Evaluation and approval of requests

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

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

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

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

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

(b) A summary of its technical evaluation;

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

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

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

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

Execution of projects

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

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

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

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

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

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

VI. FINANCES

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

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

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

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

shall be subject to review by the Economic and Social Council and the General Assembly.

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

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

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

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

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

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

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

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

Part C

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

*776th plenary meeting,
14 October 1958.*

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At its 782nd plenary meeting on 5 December 1958, the General Assembly confirmed the nomination by the Secretary-General of Mr. Paul G. Hoffman as Managing Director of the Special Fund in accordance with the resolution above.

¹ See A/4024.