SECOND COMMITTEE: ECONOMIC DEVELOPMENT

FUNCTIONS AND ACTIVITIES OF SPECIALIZED AGENCIES OF
THE UNITED NATIONS IN THE FIELD OF
ECONOMIC DEVELOPMENT

(Informal Note by the Secretariat)

1. Apart from the United Nations itself there are a number of intergovernmental organizations which have been brought into relationship with the United Nations as specialized agencies in accordance with Article 57 of the United Nations Charter. There are:

   Food and Agriculture Organization of the United Nations (FAO)
   International Labour Organization (ILO)
   United Nations Educational, Scientific and Cultural Organization (UNESCO)
   International Bank for Reconstruction and Development (Bank)
   International Monetary Fund (Fund)

   In addition the Constitution of the World Health Organization (WHO) has been ratified by eighteen governments but the Organization will not be established until twenty-six governments have ratified it. At present an interim commission is functioning.

2. According to Article 1, paragraph (1) of the Articles of Agreement of the Bank, its purposes are:

   "To assist the reconstruction and development of territories of Members by facilitating the investment of capital for productive purposes including the restoration of economies destroyed or disrupted by war, the reconversion of productive facilities to peacetime needs and the encouragement of the development of productive facilities and resources in less developed countries."

   According to Article III, Section I, paragraph (a), "the resources and facilities of the Bank shall be used...with equitable consideration to projects for development and projects for reconstruction alike". The Bank may not only make loans itself out of borrowing and certain of its own funds but may facilitate loans by guaranteeing or participating in loans made by private investors.

   /3. As of
3. As of 30 September 1947, the total subscription of the Bank in various currencies amounted, when converted into United States dollars, to $8225.1 million of which 20 per cent or $1645.02 million had been called up and were available for the Bank’s own loans and $6580.08 million were available only to meet the Bank’s obligations. In fact, of the subscriptions called up, one-tenth (2 per cent of the total) are in gold or United States dollars. The total of subscriptions in gold or United States dollars called up as of 30 September 1947, were therefore in United States $ millions:

From United States of America 635.00
From other countries 101.00
Total 736.00

4. As of 30 September 1947, the Bank had issued $250 millions of bonds on the United States market. Up to that date, it had received requests for loans amounting to $2554 millions of which $497 millions had been approved and $232 millions actually disbursed.

Thus, the Bank had at 30 September about $480 millions available for new loans.

5. The detail of the loans requested and approved is as follows:

<table>
<thead>
<tr>
<th>Member</th>
<th>Amount Requested in $ Millions</th>
<th>Amount Approved in $ Millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Czechoslovakia</td>
<td>350</td>
<td>-</td>
</tr>
<tr>
<td>Denmark</td>
<td>50</td>
<td>40</td>
</tr>
<tr>
<td>France</td>
<td>500</td>
<td>250</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>20</td>
<td>12</td>
</tr>
<tr>
<td>Netherlands</td>
<td>535</td>
<td>195</td>
</tr>
<tr>
<td>Poland</td>
<td>600</td>
<td>-</td>
</tr>
<tr>
<td>Chile</td>
<td>40</td>
<td>-</td>
</tr>
<tr>
<td>Iran</td>
<td>250</td>
<td>-</td>
</tr>
<tr>
<td>Mexico</td>
<td>209</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2554</strong></td>
<td><strong>497</strong></td>
</tr>
</tbody>
</table>

Disbursements were $202 millions to France and $30 millions to the Netherlands.

The loans requested by the first six countries above were primarily for reconstruction. The purposes of the other three loans requested were as follows:

Chile - Hydro-electric, forestry, harbour, urban and suburban, transport and railway projects.

Iran - Modernization and development of industry, agriculture and transport.

Mexico - Irrigation, hydro-electric, pipeline, highway, railroad and harbour projects.
The Bank has not therefore yet made any loans which may be described as primarily for development purposes but is reported to be giving active consideration to such loans.

6. While the financing of economic development is the paramount interest of the Bank in this field, there have been several indications that the Bank does not consider its role in respect to economic development to be solely the passive one of acting on loan applications which have been submitted to it. As regards studies, the Bank has a Research Department which, while not concerned with the analysis of loan applications or the investigation of conditions in the applicant country (which is the responsibility of the Loan Department), is charged, according to the Bank's Second Annual Report, with "Obtaining information and preparing studies and analyses for the use of Management and the Executive Directors in their determination of economic and financial policy" and "preparing specific studies of an economic and financial character as requested by other departments of the Bank".

7. The position of the Bank as regards technical advice has been set out in a statement on pages 25, 26 and 27 of Economic and Social Council document E/171/Add.2, dated 29 July 1947. In this statement, the Bank has tended to minimize its functions in this field. No members according to the above-mentioned statement, of the Bank staff have been assigned the responsibility of giving technical assistance to member governments and no requests for technical assistance as such have been received by the Bank. Should such a request be received and should circumstances warrant such action, members of the staff may on particular occasions be made available to give technical assistance, but the Bank does not now have, and probably will not in the future have, sufficient technical staff to provide technical advice and assistance on any very wide-spread scale. Later on in its statement the Bank envisaged the possibility of three types of technical assistance which the United Nations, the Bank, or other specialized agency might give to a member government alone or jointly with other agencies, namely:

(a) send a mission to give technical advice and assistance,
(b) help a government select impartial and qualified experts to furnish the technical assistance - such experts reporting to and paid by the government,
(c) send a mission to advise a government with respect to the type of programme which should be developed leaving to private technicians to work out the actual programme as advisers to the government.

8. In its Second Annual Report the Bank states that it has now underway various investigations and negotiations with regard to the development of the productive facilities of the less developed regions which it hopes will result in substantial
in substantial assistance. Because of the lack of advanced technology and skill in these regions, the Bank, according to this Report "may well be requested to exercise more initiative in considering their problems and to participate more actively in the formulation of their plans. While the Bank cannot undertake to furnish technical assistance from its own staff on any large scale, it can help its member nations to select and procure the necessary private technicians. The Bank stands ready at any time to consult with member governments on this matter."

9. In this Report the Bank also discusses deterrents to the free flow of private capital and foreign technical managerial and administrative skills to the underdeveloped countries and offers the use of its resources, influence and technical specialists to help remove some of the deterrents. The Bank refers particularly to the need for improvement of the credit position of countries by the clearing up of external debt records and to the need for integral programmes of financial reform including sound budgetary and monetary systems. The Bank suggests that it may be worthwhile to explore the possibility of setting up an impartial body of technical experts who would make recommendations for just settlements of debts due and the Bank would be willing and anxious to contribute towards the success of such a project. Similarly, an international panel of experts might be able to make investigations and recommend remedial action as regards unsound budgetary and monetary situations. Another step which, according to the Bank's report, would encourage the free flow of capital abroad would be assurance that such capital would not be subject to inequitable and restrictive legislation.

But, in pointing out these steps which it believes would encourage the flow of foreign capital to less well developed areas, the Bank makes clear that there is no suggestion that all remedial measures which may appear necessary must be completed before a country may qualify for a loan. "To the contrary, financial assistance from the Bank may form part of an integral plan involving both long-range financial reform and long-range development of production facilities." However, the Bank cannot assist a country which has neither financial nor monetary stability, a good credit, and is unwilling to achieve them. Such action would in the Bank's view be imprudent and unproductive and lead to loss of confidence of the investment community and with this, of the source of the major portion of its loanable funds.

10. The Fund is concerned with the securing of exchange stability and the orderly adjustment of exchange rates. The Fund has moneys which it can use to buy and sell foreign currencies from and to its members on certain conditions in order to attain this purpose. If country A buys the currency of country B from the Fund, this in effect is equivalent to a loan, but the /loan is intended
loan is intended to be for a short term only to assist country A to overcome temporary exchange difficulties. The Fund is not directly concerned with economic development although its operations may be of help to development countries in overcoming temporary difficulties.

11. The Fund has a further role to play which is relevant to economic development. According to a statement made by the Fund and included in Economic and Social Council document E/471/Add.2, dated 29 July 1947, "expert assistance to member countries constitutes one of the most vital functions and responsibilities of the Fund. Its scope results from the agreement itself and encompasses technical and practical co-operation on monetary exchange, balance of payments and related problems". The Fund has already given advice and sent missions, formal and informal, to a number of countries including in one country a staff mission working out a two-year programme of monetary and financial reform and exchange stabilization. The Fund has preferred not to publish the results of its missions. The services of the Fund in this field can be of great help to development countries.

12. The FAO, unlike the Bank and the Fund, has no money other than for the administration of the organization. It is therefore limited to study, advice and recommendation. Within this limitation the FAO is concerned with agriculture, forestry, fisheries, nutrition and food generally and rural welfare and has authority to take necessary and appropriate action to implement the purposes of the organization, which include raising levels of nutrition and standards of living, securing improvement in the efficiency of the production and distribution of all food and agricultural products and bettering the condition of rural populations.

13. FAO has in fact directed many of its efforts on lines likely to be of help to development countries. The administration of FAO includes the following technical Divisions: (a) Economics, Statistics and Marketing, (b) Agriculture, (c) Fisheries, (d) Forestry, (e) Nutrition, (f) Rural Welfare. Since in development countries a high proportion of the population is almost by definition engaged in agriculture, small increases in technical efficiency in agriculture can be of overwhelming importance. The technical work of the FAO in the field of agriculture is therefore of particular importance to development countries even though it is in fact applicable to all countries. This is notably true of technical studies, technical conferences and training schools on fertilizers, infestation, plant pests, insecticides, fungicides and weed killers, on the use of grass and fodder, on irrigation and on mechanization. The third session of the FAO annual conference in Geneva 25 August - 11 September 1947, particularly endorsed projects and studies on irrigation, mechanization of agriculture and insecticides, fungicides and weed killers as being helpful to development countries.

/14. Similarly many of
14. Similarly many of the technical activities in the fields of nutrition, fisheries and forestry are directed toward the needs of development countries. Nutrition conferences are to be convened in the Far East and in South America and nutritional problems studied on a regional basis. Similar regional approaches are to be made to the problems of fisheries and forestry. In the field of rural welfare the FAO is going to carry out studies concerned with the development of rural industries and the improvement of agricultural tools and household equipment. The third session of the FAO conference endorsed those studies and also a proposal to publish handbooks on extension techniques for different cultural areas, including one for the Moslem world.

15. The FAO is required under its constitution to furnish technical assistance as governments may request, and importance is attached to this part of the organization's work. The FAO has sent two advisory missions with wide terms of reference, one to Greece in May 1946 and one to Poland in the summer of 1947. The report of the mission to Greece has been published. Both these missions were concerned with the inter-related problems of rehabilitation and development. In addition missions with wide terms of reference have been requested by Hungary and Siam, and Venezuela has made a series of requests for advice on specific problems, including assistance in the settlement of refugees as agricultural producers and in developing the production of oil-bearing seeds. Ecuador has requested a mission to investigate problems connected with fisheries, livestock production, wheat culture and forestry. Six experts in the fields of statistics, irrigation, drainage, deep-well drilling, animal husbandry and nutrition will be proceeding in the near future to the Middle East. The first of these experts is to conduct a statistical school for the benefit of government officials whilst the others will be mainly engaged in developing suitable techniques in different areas.

16. At the second session of the FAO Conference at Copenhagen 2 - 13 September 1946, the Director-General of FAO submitted proposals for a World Food Board with financial resources and wide powers to fix a general policy incumbent on the various member States. The principles of the proposal were accepted by the Conference and the matter was referred to a Preparatory Commission, which met in Washington, D. C. from 28 October 1946 to 24 January 1947. It decided that in view of circumstances at the time the objectives would have to be attained by ways which allowed States to retain their freedom of action. The objectives as described by the second session of the conference were:

(a) developing and organizing production, distribution and utilization of the basic foods to provide diets on a health standard for the peoples of all countries,

(b) stabilizing
(b) stabilizing agricultural prices at levels fair to producers and consumers alike.

Chapters II, III and IV respectively, on "Agricultural and Nutritional Programmes", "Industry and Agriculture" and "Financing of Development" of the Report of the Preparatory Commission relate to objective (a) and to economic development. These recommendations of the Preparatory Commission were given general endorsement by the third session of the FAO Conference. The Preparatory Commission emphasized that the responsibility for development programmes rested with governments, made suggestions as to the action of governments, examined the machinery at the disposal of FAO for helping governments in their task and made detailed suggestions for the improvement of this machinery.

17. As regards action by government, the Preparatory Commission recommended inter alia the following steps where not already taken:

(a) framing of over-all programmes for the expansion of essential agricultural production including the provision of education and information on techniques of production, credit facilities for farmers and where necessary reform of land tenure,
(b) establishment of an administrative unit or units responsible for agriculture, food and nutrition to administer the programme of agricultural and nutritional improvement, to promote and co-ordinate extension and advisory services, to establish and supervise public research activities, etc.,
(c) sending research workers, technical officers and administrators to study abroad,
(d) establish FAO National Committees to serve as a link between their country and FAO.

18. The Preparatory Commission felt that while the vast proportion of the world's population was engaged in agriculture and could be benefited by the development of agriculture, there was urgent need for the development of industry parallel to that of agriculture, including the development of new simple industries with small capital investment and often using locally available materials. As regards international assistance in the field of industry, the Preparatory Commission stated:

"For the less developed countries it is clear that, in respect of the development of industry and transportation, they may need services similar to those that FAO will provide in respect to food and agriculture. We understand that this matter is under consideration by the Economic and Social Council. Whatever arrangements may be worked out, the provision of information and advice on industrialization and general economic development is an important adjunct to our recommendation in
recommendation in respect of food and agriculture. We urge that in
the arrangements made by the Economic and Social Council full recognition
be given to the vital interest of agriculture in the progress of
industry and to the danger of serious maladjustment if progress is too
slow on the industrial side."

With regard to the financing of development, the Preparatory Commission
recommended as follows:

1. That before consideration is given to the establishment of any
further financial facilities, the existing institutions of the
United Nations should be put to the test.

2. That in view of the importance of ensuring that needed development
projects are not held up for lack of necessary and proper financing,
the Director-General of FAO should consult with the proper officials
of the International Bank for the purpose of making the most practicable
arrangements for co-operation between the two agencies and of bringing
about the fullest utilization of their respective facilities in the
field of development policy and in the planning of individual
development projects.

3. That the progress of development be kept under continuous review
so that if at any time a development project or programme of
significance to agriculture justified on other grounds, has been
unable to go forward for lack of adequate international financial
facilities, the Director-General of FAO and the Board of Executive
Directors of the International Bank should forthwith report the
circumstances to their respective member governments and to the
Economic and Social Council with recommendations for any appropriate
action.

4. That where projects need to be undertaken promptly, the country
concerned should be encouraged, even though the sum involved may be
small, to submit an application to the International Bank for such
external finance as may be required, without waiting until the
particular development can be included in a fully comprehensive project,
the adequate formulation of which might require considerable time.

5. That in view of the importance of ensuring that any national
development scheme reposes on a wise system of domestic finance in
the country concerned, the Economic and Social Council of the
United Nations should be requested to review, and if necessary to
strengthen, the international services available for advising
development countries regarding the introduction and establishment of
wise internal systems of finance, utilizing the services of the
specialized international agencies in the field with which each is
concerned.

/19. The International
19. The International Labour Organization dates back to just after the First World War but was reorganized with a new constitution as an agency of the United Nations in 1946 following the Twenty-Sixth Session of the Conference at Philadelphia in 1944 and the Declaration of that Conference. Article 1 of the new constitution provides that the Organization is established for the promotion of the objects set forth in the Preamble and in the Declaration of the Philadelphia Conference.

20. The Declaration of Philadelphia obligated the governments, members of the ILO, to further among other things the raising of standards of living and the concluding section expressed confidence that "the fuller and broader utilization of the world's productive resources for the achievement of the objectives set forth in this Declaration can be secured by effective international and rational action including measures to expand production and consumption... to promote the economic and social advancement of the less developed regions of the world... 'and pledged' the full co-operation of the ILO with such international bodies as may be entrusted with a share of the responsibility for this great task." Thus while government Members of the ILO have committed themselves to far-reaching objectives related to economic development, those objectives are not to be secured solely by the action of the ILO whose functions are primarily as stated in paragraph 1 of Article 10 of the Constitution as follows:

"The functions of the International Labour Office shall include the collection and distribution of information on all subjects relating to the international adjustment of conditions of industrial life and labour, and particularly the examination of subjects which it is proposed to bring before the Conference with a view to the conclusion of international Conventions, and the conduct of such special investigations as may be ordered by the Conference or by the Governing Body."

21. The field of action of the International Labour Organization is a wide one; it includes manpower organization, labour legislation, industrial health, safety and welfare, industrial relations, social security, various branches of statistics, and the innumerable sub-divisions of those complex subjects; it extends to industry, commerce, agriculture, and all forms of transport.

22. Generally, most of the activity of the ILO has been directed to recommendations and conventions on international labour legislation, mainly the regulation of conditions of work, but has also extended to other questions with a more direct relation to economic development including such questions as training facilities, and it has also done work on public works activity.

/23. The ILO has over
23. The ILO has over a long period carried on certain studies relating to the planning of public works and an international Public Works Committee existed before World War II. It subsequently became known as the International Development Works Committee. The Philadelphia Conference passed a resolution on this subject but the matter is now before the Governing Body of the ILO with a view to consideration being given to the transfer of these activities to the United Nations, the ILO being more concerned with the social aspects of the problem rather than with the economic aspects.

24. The ILO has also carried out certain work of interest to economic development by means of regional conferences. In April 1946 there met in Mexico City a special Conference of American Nations, members of the ILO. The agenda of this Conference was designed to afford an opportunity to intensify consideration of the social problems presented by the industrialization of Latin America. A resolution was passed on vocational training which focussed special attention on the problems involved in building up a national skilled labour force in countries in an early stage of industrial development. The Conference also passed a general resolution whose preamble stated that “the industrialization of Latin American countries is indispensable to the attainment of higher standards of living; a better equilibrium in economic structures, increased international trade and at the same time greater economic independence” and recommended the Governing Body of the ILO to call to the attention of the Economic and Social Council the desirability of studying in the near future in co-operation with the ILO and other interested bodies “the most efficient methods of facilitating the process of harmonious industrialization of the Latin American countries which is an indispensable basis for their social welfare.”

25. The ILO has now embarked on regional activities in Asia. It was felt that if the ILO is to make a maximum contribution to the social development of Asia, special facilities must be provided for giving full consideration to the distinctive problems of Asiatic countries with particular reference to their industrial development. Accordingly, a Preparatory Regional Conference was convened and opened in New Delhi on 27 October 1947. Four questions were placed on the agenda, namely:

1. problems of social security;
2. labour policy in general, including the enforcement of labour measures;
3. programme of action over a period of years for the enforcement of the social standards embodied in Conventions and Recommendations adopted by the International Labour Conference but not yet ratified or accepted by the countries concerned; and
4. the economic background of social policy, including the problems of industrialization.

In addition a
In addition a meeting of government representatives of the countries of the Near and Middle East has been held at Istanbul, Turkey from 24 to 29 November. The meeting had before it a report by the Director-General of the ILO which included chapters on industrialization and development of natural resources and on vocational training as well as on industrial relations and labour standards.

26. The ILO has also carried out certain work concerning migration which is relevant to economic development. Following the recommendations of a technical conference in 1938 and interest on the part of the Philadelphia Conference in 1944, a Permanent Migration Committee was established and held its first session in August 1946, attended by representatives of twenty-five governments. The Committee made a general survey and in particular drew attention to the fact that migration on a considerable scale depended mainly on the adoption of measures for the development of the industrial and agricultural resources of the immigration countries, on satisfactory financial arrangements and on adequate transport and housing facilities. The committee considered the possibility of drawing up a model agreement for the use of governments in negotiating conventions and agreements regarding migration. It also gave attention to co-operation with the United Nations. A further meeting of the committee is to be held in the near future.

27. Within the scope of its activities, the ILO has sent frequently advisory missions to governments. The Conference Delegation on constitutional questions which reported on the matter in the spring of 1946 at the twenty-ninth session of the conference in Montreal felt that the building up of a body of officials experienced in advising on labour inspection services would be of great value especially to less developed countries. Among recent missions by the ILO have been the visit of an official to China to advise on labour inspection, the prevention of industrial accidents, employment exchanges and social insurance. In 1947, an official was sent to Iran to assist the Government in drafting labour legislation and others were sent to Egypt and Colombia to advise regarding social insurance.

28. Raising standards of education and increasing opportunities for education, science and culture are among the functions of UNESCO. Adequate popular education and the diffusion of scientific and technical knowledge are at the basis of economic development of less developed areas, and UNESCO is able and prepared to give expert assistance to governments on information on existing techniques, methods, etc., research in new techniques, methods, etc., and on the improvement of existing or establishment of new facilities. The most interesting UNESCO project so far, which is relevant to economic development, is the Nilean Amazon Project which is a programme of research into the needs.
into the needs and possibilities of the Amazon area comprising four million square miles. An international commission met in Belem de Para between 10 and 18 August 1947, and decided to recommend to the Second Session of the General Conference of UNESCO, which opened in Mexico City on 6 November 1947 that an international Research Institute should be established at the mouth of the Amazon River to initiate projects and carry on research with respect to scientific and social problems of that area. UNESCO is also building up a Fundamental Education Panel of experts whose advice will be available to Member States. The Fundamental Education programme includes a project for experimental field work in Haiti, China and British East Africa. Teams of experts are being sent into these countries.

29. An International Health Conference to establish a world health organization was held in New York City from 19 June to 22 July 1946. The Conference adopted a constitution and established an Interim Commission of the World Health Organization to carry on its activities pending ratification of the constitution by twenty-six members of the United Nations. To date only sixteen United Nations members have ratified the constitution.

30. Improved health standards like improvement in education are basic pre-conditions without which economic development can make little headway. Health is, however, a specialized field and it is sufficient to note here that the Interim Commission has taken over certain of the field services of UNRRA and has also established field missions of its own. In Ethiopia for example, a mission is engaged in disseminating the rudiments of public health and medical instruction in co-operation with the government. A mission to China includes experts in epidemic prevention, quarantine control and sanitary engineering.