

economic development, and in the course of the past six years the problem of economic development has come to be looked upon as the major economic issue, and one of the most important of all issues facing the United Nations. When it is considered that the under-developed areas of the world comprise most of the countries of Asia, Latin America, Africa and the Middle East, the magnitude of the task becomes apparent. Nonetheless, the progress which has been made, while inevitably slow in comparison to the needs to be filled, is an encouraging proof of the willingness of the more economically advanced countries of the free world to co-operate in the development of the resources of the under-developed areas.

During the past year and a half, the problem of economic development has continued to engage the close attention of the United Nations and especially of the Economic and Social Council (ECOSOC). The Council's greatest practical achievement in this field has been its large-scale programme of technical assistance to under-developed countries<sup>1</sup>. The inter-relation between technological know-how and economic development is self-evident and a real and lasting contribution is being made towards sound and well-conceived programmes of economic development through the technical assistance activities of the United Nations.

The International Bank for Reconstruction and Development<sup>2</sup> has been playing an increasingly important role in the field of economic development through its loans to governments for specific projects designed to accelerate the economic progress of under-developed countries. By the spring of 1952, the International Bank had made loans totalling more than \$1,300 million; of this total almost \$1,000 million had gone to aid economic development in under-developed areas.

The important role which private capital can play in economic development has been emphasized by the more economically advanced countries, who contend that a favourable investment climate in under-developed countries will automatically attract a greater flow of such capital. Because of discriminatory treatment against foreign capital, imposed by certain governments, or because of the wide-spread political and economic instability which has characterized the post-war period, private investment has dwindled to negligible proportions in most of the under-developed areas. The advisability of establishing a new inter-governmental agency aimed at stimulating the flow of private capital to under-developed countries is now receiving active consideration in the United Nations. The proposal is that an international finance corporation, capitalized by government subscriptions, should be set up as an affiliate of the International Bank for the purpose of helping to finance productive private enterprise in the under-developed areas through equity investment and through loans without government guarantees.

At the request of ECOSOC, the International Bank made a preliminary study of the feasibility and desirability of setting up an international finance corporation, and its report was considered by ECOSOC at its 1952 session. The report indicated that the

<sup>1</sup>See pp. 45-48.

<sup>2</sup>See pp. 95-98.