

One of the chief limitations on economic progress in the under-developed countries has been the difficulty of financing development projects. To the extent that the necessary funds are not available in the countries themselves, they are usually sought by way of investment or grants from abroad. For one reason or another, the flow of private investment to the under-developed countries has steadily dwindled in recent years. The International Bank for Reconstruction and Development, though its programme of loans for development projects, has played an important part in meeting the financial needs of under-developed countries, but its loans require government guarantee, and most of them have been made for government projects. Moreover, the Bank does not engage in equity financing and its operations thus do not fill the gap caused by the shortage of private investment. The situation has been discussed at length in the United Nations. At the seventh session of the General Assembly, the Secretary-General was asked to prepare a study on the international flow of private capital and ECOSOC to consider what steps might be taken to stimulate a steady and adequate flow of private capital to under-developed countries.

Canada has recognized the need for outside finance to assist in the process of development and has made substantial contributions through the International Bank and also through the Colombo Plan, to which the Canadian Government has given \$25 million in each of the last three fiscal years. The importance of the part to be played by a natural flow of private investment, has, however, been continually emphasized and Canadian representative have pointed out that much could be done by the under-developed countries themselves to create a climate for foreign investment in their countries which would attract savings from the rest of the world.

One plan which is at present under discussion in the United Nations is the establishment of an International Finance Corporation, to be an affiliate of the Bank, which would be capitalized by government subscriptions and would help finance private enterprise in the under-developed areas through equity investment and loans without government guarantee. In a report to the fourteenth session of ECOSOC in 1952 the Bank expressed the preliminary view that, though the Corporation would fill an important gap in the international investment structure, further study and consultation with governments and investment groups would be necessary before any final conclusion could be reached on the feasibility of the plan. At the sixteenth session of ECOSOC the Bank made a progress report summarizing the views which had been expressed about the practicability of the project. Since it appears that neither business and financial representatives, nor the governments of countries which might be expected to provide the financial backing for the Corporation are yet prepared to commit themselves, the Bank stated that it did not believe "that any point would be served by any greater formalization of the project at this time." The Bank management will continue to explore the matter and will present concrete proposals when there appears to be a reasonable prospect that sufficient financial participation will be forthcoming. The Bank's report will be considered at the eighth session of the General Assembly. The Canadian position has been one of continued interest in the proposal