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Statement on the Establishment of a United Nations Capital Development Fund by H.E. Mr. W. A. Irwin, Canadian Representative on the Second Committee

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Mr. Chairman,

My Delegation has given very careful thought to draft resolution L.472 now before us. We have reviewed our position in the light of the long history of the various proposals for a United Nations capital development fund, in the light of recent progress in the field of international financing of economic development, and in the light of Canada's own financial position.

In the past the Canadian Delegation has made it clear that in principle Canada supported the idea of a United Nations capital development fund. But in so doing we have always made it equally clear that we felt there was no real point in establishing such a fund unless certain conditions existed favourable to it. One of the fundamental conditions we have had in mind has always been that the proposed fund should be able to attract resources large enough to enable it to operate effectively.

We recognize now, as we have always recognized, the motives guiding the supporters of the capital development fund in their efforts to establish it. We have given them our support in principle because we share their conviction that the flow of development capital to less-developed countries should be the maximum possible in any given set of circumstances.

In practice, Mr. Chairman, we have given substance to our adherence to this view by increasing our external development assistance steadily during recent years to its present level of some $70 million annually for United Nations programmes and for our own bilateral programmes in Asia, Africa and the Caribbean. This aid is given almost entirely in the form of grants, and is drawn entirely from public funds. The very large contributions we have made for relief and reconstruction in areas ravaged by war, famine, earthquake and flood in many parts of the world are not included in the figure I have quoted. I do not

include them because we realize that funds spent for relief and reconstruction do not contribute directly to economic growth as we are concerned with it here. But such funds have helped to prevent economic collapse in stricken areas, and they have been of further use to the countries concerned to the extent that they have relieved them of the need to divert foreign exchange from development to reconstruction. I think members of the Committee will agree that such expenditures should not be entirely ignored.

I mention these matters only to indicate that our recognition of the need of the less-developed countries for capital has been given expression in action which might be described as positive application of the principle underlying proposals for a United Nations capital development fund.

But our support in principle has not been based solely on the recognition of the need for more capital. It has also been based on the fact that until recently no international body existed able to provide capital on a large scale for non-bankable projects - projects, in other words, which are not directly self-liquidating. Projects of this kind are now, of course, universally recognized to be of fundamental importance for economic and social development. In the past, we have considered the absence of an international institution for channelling capital to such projects was a serious matter, and we were prepared to support measures aimed at filling the gap, provided they promised to be effective.

My Delegation has adhered consistently to these views over a period of years, Mr. Chairman. Nevertheless, as members of the Committee know, we have abstained from voting on previous resolutions directed toward establishing a United Nations capital development fund for the reasons I have already indicated, namely, non-fulfillment of the conditions which we believed were essential to its success.

More recently our attitude in the matter has been conditioned by the fact that the International Development Association was in process of formation and that the lack of an international agency for the channelling of funds to non-bankable projects appeared about to be remedied.

Since our last discussion of the matter, the International Development Association has come into being. Canada gave whole-hearted support

to this initiative and we are now paying in our share of the Association's capital.

It is our considered opinion that the establishment of the International Development Association introduces a new factor of great weight into the discussion of a United Nations capital development fund. The function of the I.D.A. is designed to fulfill most of those which would devolve on a capital development fund, and until the International Development Association has been in operation for a sufficient length of time to test its utility in this field, we do not think it will be possible to reach a considered judgment as to whether in fact a parallel fund is required. It would seem obvious that if the I.D.A. adequately meets the admitted need in this field, a parallel fund would be unnecessary. Furthermore, there is risk that a multiplication of international agencies operating in the same area would so diffuse the available resources of capital and skills as to prevent any one agency from attaining its full potential efficiency. I need not remind members of this Committee of the vital need to make the best possible use of the available supply of capital. It should not be forgotten either that people with the experience and skills necessary to ensure that funds are used to the best advantage in the highly-specialized field of economic development are in limited supply.

We have noted that a number of delegations have expressed reservations about the International Development Association. They have argued that it is too small or that it is not organized in a satisfactory manner. We would point out, Mr. Chairman, that the International Development Association is already larger than any United Nations capital development fund contemplated in the past would have been, and that its Articles of Agreement envisage the possibility of future expansion, although the time obviously is not yet ripe for consideration of this aspect of the matter. We should also point out that the I.D.A. has the conspicuous advantage of being in existence, of being attractive to contributors, and of having already attracted sizeable contributions. Its staff is highly qualified and experienced. Considerations of this kind cannot be lightly dismissed, and they have weighed heavily with us.

Another point which has weighed with us is that the Secretary-General has reported in Document A/4488 that there have been no significant new developments in the attitudes of most governments toward the establishment of a

United Nations capital development fund. It has become clear in our discussions that sufficient capital to make the fund effective is not likely to be forthcoming. A fund set up without adequate resources in our view could not be an effectively functioning fund. Under such conditions it would be extremely difficult to achieve effective utilization of such resources as it might possess, and I would submit that we cannot afford to vitiate the use of any development resources which might be tied up in this way.

It will be apparent to the Committee that in its review of the question my Delegation has not found new elements in the situation which would cause it to change its stand. The formation of the International Development Association, the most important recent event in the field of international development financing, serves in fact to confirm us in the position we have taken in the past. We shall meet our obligations under the International Development Association to the full; we shall continue to support wholeheartedly other international financial organizations to which we are committed, and we shall continue our other development assistance; but it is still the Canadian view that it would be premature to consider establishing a United Nations capital development fund at this time.

My delegation will therefore abstain from voting on draft resolution L.472, and on the amendments contained in Document L.514.