CANADIAN STATEMENT IN THE SECOND COMMITTEE ON ITEM 39: UNITED NATIONS CAPITAL DEVELOPMENT FUND

Mr. Chairman,

For almost fourteen years now the United Nations has had before it various proposals for the establishment of capital development funds. A majority at last year's United Nations Conference on Trade and Development issued yet another call for the establishment of a capital development fund and for the transformation of the Special Fund into a capital development fund. The fact that no fund with that precise title has yet been established has for some been a source of dissatisfaction. Canada does not share that dissatisfaction. It seems to us that while our attention has been focused upon that oft-repeated call for a "United Nations Capital Development Fund", there have, in fact, been capital development funds functioning within the United Nations family and there are encouraging reports on their continued growth and evolution.

When I recently reviewed the various documents dealing with the proposals that have been made over the past fourteen years to establish a United Nations Capital Development Fund, I was struck by the fact that there has been no disagreement over our common goal; that is, we all want to see an increasing flow of capital to the developing countries. What has been at issue is the best means of doing this. Some countries have contended that a new institution is required or, alternatively, that the Special Fund should be transformed to include capital assistance in addition to its present pre-investment operations. Others have argued - and Canada has been one of them - that existing institutions offer the best hope of further progress in the capital development field.

As members of this Committee may know, Canada did not support the resolution of the fifteenth session of the General Assembly which declared that a capital development fund should be established, nor did we support the resolution at the sixteenth session which set up a Committee to draft the statutes of such a fund. Since then, and more recently at the United Nations Conference on Trade and Development, we have continued to state our belief that it is unwise to dissipate further the resources of money and personnel available for capital development programmes. In short, Mr. Chairman, the position of my Government has not changed since the recommendations for the establishment of a United Nations Capital Development Fund and for the gradual transformation of the Special Fund into a capital development fund were first discussed.

We in Canada believe that the central problem is not simply that of establishing yet another international institution to enter the capital field but rather to promote an increasing flow of capital for investment in the developing countries. We very much doubt that this will be done by the creation of a new United Nations Capital Development Fund.

../2

The money, after all, would still have to come from much the same sources. It seems to us highly improbable that the proposed fund would bring forth any significant new resources. It is not at all clear to us what, in practical terms, a capital development fund could do that the World Bank group of institutions is not already doing. Such a new fund would compete with the International Development Association for the funds available and it is doubtful in our view whether it would be able to achieve greater results than those experienced institutions now in operation. Indeed the emergence of yet another fund and the further proliferation of institutions active in the capital investment field might result in a slower increase in the flow of capital assistance.

Let me give an example of what I mean. As we all know, the Special Fund, with current assets of over $100 million a year, has proven itself a most successful programme. One test of its success is the Fund's ability to provide services which encourage increases in the flow of public and private capital. I think we can all agree that the Special Fund is meeting this test. In many cases a limited amount of preinvestment has resulted in an extraordinary amount of capital investment. The note prepared by the Secretary-General on the transformation of the Special Fund into a capital development fund confirms our fears that the total resources available for this vital pre-investment work might diminish rather than grow as an indirect or direct result of the establishment of yet another capital development fund through the transformation of the Special Fund. We would be very sorry to see a step taken which would in any way restrict the Special Fund's preinvestment activities which are having such a significant impact in many developing countries. Indeed, Mr. Chairman, Canada has supported the consolidation of the Expanded Programme of Technical Assistance and the Special Fund in the hope that this will help encourage yet greater resources being made available for the vital work in the pre-investment field. We in Canada look forward to greater achievements by the Fund in the future as it engages in new undertakings such as, for example, pilot and demonstration projects in the industrial sector designed to encourage capital investment.

As for the World Bank group, in particular the International Development Association, the adaptation of policies to the changing needs of developing countries is continuing. The International Development Association has been provided with $125 million from the Bank's net income for the years 1963-64 and 1964-65. This is, of course, in addition to the $758 million which has been allotted to IDA up to June, 1966, to finance its fifty-year credits which carry the nominal service charge of three-quarters of one per cent per annum. It should also be noted that the World Bank group is now prepared to undertake increasing amounts of local currency expenditures for agreed projects.

I should also like to note, in passing, Mr. Chairman, that the other institution affiliated with the IBRD, the International Finance Corporation, will in its particular area of operation, be able to borrow

../3

Up to four times its own capital and surplus from its parent body, the World Bank. The proposal to allow the IFC to borrow from the Bank should provide it with as much as $400 million to extend its investments in the shares of business and industrial finance companies.

The pace of activities of all three of these institutions -- the World Bank itself, the International Development Association and the International Finance Corporation - has quickened. There is every reason to believe that the Bank, and more particularly the IDA, will increasingly play a central role in helping to reach the goals to which we have all subscribed in the Development Decade. In this connection, the Canadian Minister of Finance at the recent annual meeting of the World Bank group warmly supported the resolution to replenish IDA's resources and promised that Canada would co-operate fully in any such replenishment. And then there are, of course, other institutions both within and without the United Nations family which are also actively engaged in investment in developing countries. I am thinking now of the World Food Programme and of the three regional development banks. We welcome the draft resolution before this session of the General Assembly which is designed to increase and make permanent the investment assistance available in the form of food aid. Canada has also warmly welcomed the establishment of the regional banks and we have channelled, or intend to channel, significant amounts of aid or of subscription capital to the Inter-American Development Bank and the Asian Development Bank.

To sum up, Mr. Chairman, Canada recognizes the urgent need for more capital aid for the developing countries and we stand ready to do our part in promoting an accelerated flow of investment capital. But we remain convinced that the most effective way to bring this about is to use already established institutions rather than to create new ones.