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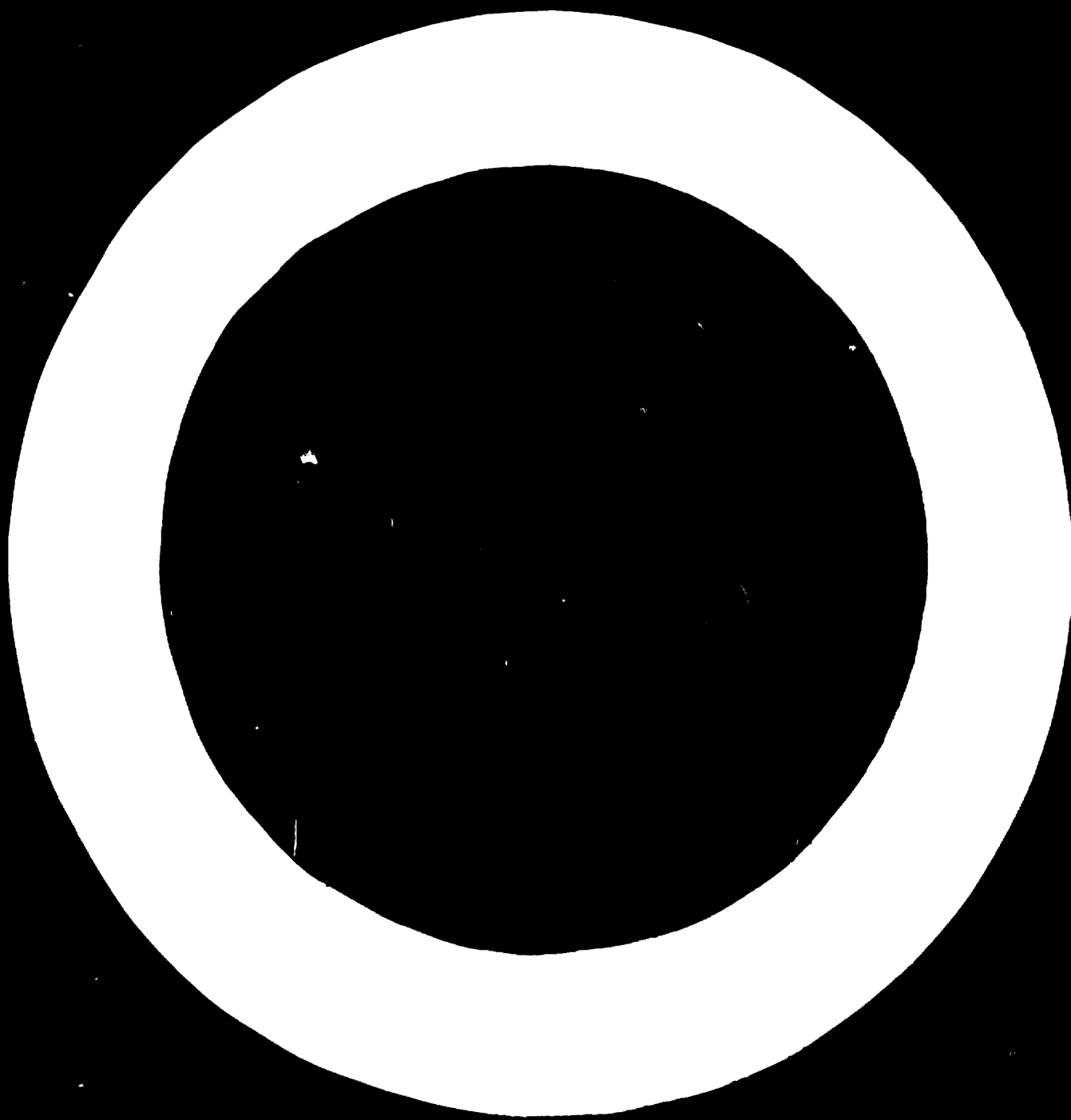
Agenda item 9

GUIDELINES FOR THE UTILIZATION OF VOLUNTARY CONTRIBUTIONS TO UNIDO

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GUIDELINES FOR THE UTILIZATION OF VOLUNTARY CONTRIBUTIONS TO UNIDO

1. At the 37th meeting of its First Session, the Industrial Development Board adopted a proposal requesting the Executive Director "to examine and report to the Second Regular Session on the procedures and guidelines for the utilization of funds for operational activities to be delivered from voluntary contributions to UNIDO under paragraph 23 of General Assembly resolution 2152 (XXI)". (See document A/6715/Rev.1, paras. 306-308).
2. The Executive Director has examined the matter, taking into account the special requirements of industry and the resources available under the technical assistance programmes. A brief analysis is made in this report of the types of voluntary contributions to supplement existing programmes, and guidelines are suggested for their utilization.

Resources available under existing programmes
of technical assistance

3. The funds available in 1968 under the UNIDO Regular Programme total approximately \$1 million. This programme has as its major function the financing on a restricted scale of regional advisers, seminars, training courses and expert service for individual countries. Within the limited resources of the UNIDO regular programme, it has only been possible to assist the recipient countries in developing new ideas and in preparing the ground for further assistance under the Technical Assistance and Special Fund components of the UNDP.
4. The average annual value of the 1967/1968 Technical Assistance component of UNDP has been of the order of \$2.5 million in the field of industry. The proposed 1969 programme of work of UNIDO (ID/B/26 and Addenda), based on initial contacts with developing countries and assessment of their needs, indicates that requests for assistance valued at about \$10 million may be forthcoming for 1969. Such assistance would consist mainly of one-year or two-year expert missions to the recipient countries. Experts would be provided to help in setting up or strengthening departments entrusted with the development of industry; improving the technical and commercial management of existing industries; establishing procedures and determining priorities for technical assistance; and advising on projects for national investment agencies. Projects under this programme may also take the form of expert missions to improve the quality of locally manufactured products, the introduction of new techniques and manufacturing methods, and the development of exports.

5. The longer-term assistance provided under the Special Fund component of the UNDP includes the provision of a certain amount of equipment, of experts and consultant services, and of fellowships; these forms of assistance supplement the investment by the recipient countries themselves in terms of local personnel and of contributions in kind. Significant examples of projects under the UNDP/SF programme are the establishment of industrial estates, institutions and pilot plants. The estimated target of expenditures from UNDP/SF resources for all projects serviced by UNIDO in 1968 is about \$5 million.^{1/}

6. Both the limitations of funds and the restrictions of conventional programming and budgeting under the above programmes make it useful for the future work of UNIDO that the organization seek additional resources from voluntary contributions. Such resources would not only make it possible to promote substantially larger programmes, which would have an appreciable impact on industry in the developing countries, but would also have the merit of providing flexibility as to procedures and planning.

Consideration of various forms and uses of voluntary contributions

Special Industrial Services Programme

7. The UNIDO Programme of Special Industrial Services is based solely on such voluntary contributions. The response to this programme has shown that there is considerable need for new sources of financing to assist countries with urgent problems related to the development of industry. All funds within the conventional programmes of technical assistance for 1967 had been committed by the time that UNIDO took over its full responsibilities in the field of industry; it was therefore the voluntary contributions under the SIS Programme which permitted an expansion of UNIDO activities far beyond the already committed programmes. It is interesting to note in this connexion that the SIS Programme in 1967 reached a total value higher than the share of UNDP/TA funds allotted to industry in that year.

8. By the nature of its aims and mandate, UNIDO cannot be a source of direct financing, providing capital investment to industrial projects but can play only a promotional and catalytic role in the development of industry. The leverage effect of UNIDO's role depends essentially on the technical and financial resources put at the Organization's disposal. Hence the importance of voluntary contributions for

^{1/} This figure includes amounts earmarked for projects recently approved which may not become operational in 1968. Actual expenditures will therefore fall short of this target.

UNIDO, not only to supplement the resources available under the existing programmes of technical assistance but also to provide new avenues of assistance to meet the special needs of industry.

9. One procedure for utilizing voluntary contributions to supplement available resources has been adequately illustrated by the programme of Special Industrial Services. Contributions to this programme have afforded UNIDO additional funds to be earmarked for the promotion of industry without further burdening the limited resources of existing programmes of technical assistance, and have at the same time permitted an ad hoc situational response to meet the special and urgent problems of industry.

Ad hoc cash grants

10. Another procedure which has already been used is the ad hoc lump sum contributions to UNIDO by a donor country, for use in a designated or undesignated area of industrial promotion. An example of this type of contribution is the \$200,000 grant made by the Austrian Government which UNIDO will utilize in the establishment of an Industrial Information Centre in Vienna. Similarly, a grant of \$231,000 was made by the Swiss Government which UNIDO proposes to utilize in organizing an intensive training programme for government officials from the developing countries engaged in the formulation and application of technical assistance programmes for industry in their respective countries.

11. UNIDO will welcome further contributions of this kind. Such grants, while of an ad hoc and limited nature, can have an impact on industrial promotion far beyond the time and place of their immediate application, as will be the case with the Austrian and Swiss contributions.

"Non-convertible" contributions

12. A number of Member States have recently elected to support the activities of UNIDO by pledging specific sums to be utilised locally in their territories in a way that would further the industrial development of developing countries. By the

end of 1967, the following sums had been pledged under this form of voluntary contribution:

	<u>US dollar equivalent</u>
Bulgaria	17,094
Czechoslovakia	69,252
Poland	50,000
USSR	555,000

Negotiations have been initiated with these countries in order to work out a plan for the utilisation of such funds. Among the various uses foreseen are in-plant training programmes for engineers from developing countries in selected industries.

13. In addition to the pledges noted in paragraph 12, Sweden, as early as 1965, made a grant of \$100,000 to UNIDO's predecessor, the Centre for Industrial Development, which has been applied in part to an industrial programming data project.

Development of permanent training institutes

14. UNIDO is at present considering a plan by which ad hoc in-plant training programmes financed from such "non-convertible" contributions made available locally by a number of industrial countries may be transformed into more permanent training institutes. Subject to negotiations with UNDP and with the donor countries themselves, it is envisaged that a number of continuing international centres for training in various industrial sectors, such as the automotive, electrical and other engineering sectors, may be developed. The 1969 proposed work programme of UNIDO includes a suggestion that the UNDP Governing Council be asked to give support for such institutes, which would be financed initially as Special Fund projects with contributions from the UNDP and the donor countries where the institutes would be located. (ID/B/26/Add.III, paras. 7-12). The centres should eventually become self-sustaining.

Contributions in kind

15. In addition to grants in cash, there is, of course, ample room for utilising contributions in kind, whether in the form of physical facilities and instructors for training programmes, or machinery and equipment to facilitate and support the work of experts in the field.

16. Under existing programmes of technical assistance, only the Special Fund component of UNDP has provided equipment as part of the over-all technical assistance funds. And yet there is a need in most developing countries for testing and demonstrating equipment to support and facilitate the work of experts engaged in other technical assistance projects.

17. Even in the case of Special Fund projects for which a certain amount of equipment has been provided, voluntary contributions in the form of machinery - for use in such projects as industrial estates and institutions and pilot plants - would usefully supplement the UNDP funds earmarked for such projects.

18. The work of experts on projects financed from other technical assistance programmes (particularly UNDP/TA and SIS) has at times been hindered by the lack of minor though important equipment. The availability of such equipment at short notice would have facilitated their missions and rendered their work more effective.

19. If it were possible for UNIDO to provide machinery and equipment highly useful programmes could be developed beyond the purview of any of the existing programmes of technical assistance. The need for central maintenance facilities and workshops in a number of developing countries should be emphasized. With the help of voluntary contributions in kind from donor countries UNIDO could effectively fill the need for such maintenance facilities and workshops.

20. Mention may be made here also of lesser forms of contributions in kind already being utilized, such as the provision of interpreters and translators by certain donor countries in conjunction with training programmes organized in their own countries, or to assist experts from their own nationals engaged in the field on technical assistance projects financed from United Nations sources.

Procedures for pledging and acceptance of voluntary contributions

21. General Assembly resolution 2152 (XXI) states, inter alia, that expenses for the operational activities of UNIDO shall be met "from the voluntary contributions made to the Organisation, in cash or in kind, by Governments of the States Members of the United Nations, members of the specialized agencies and of the International Atomic Energy Agency" (Paragraph 22a).

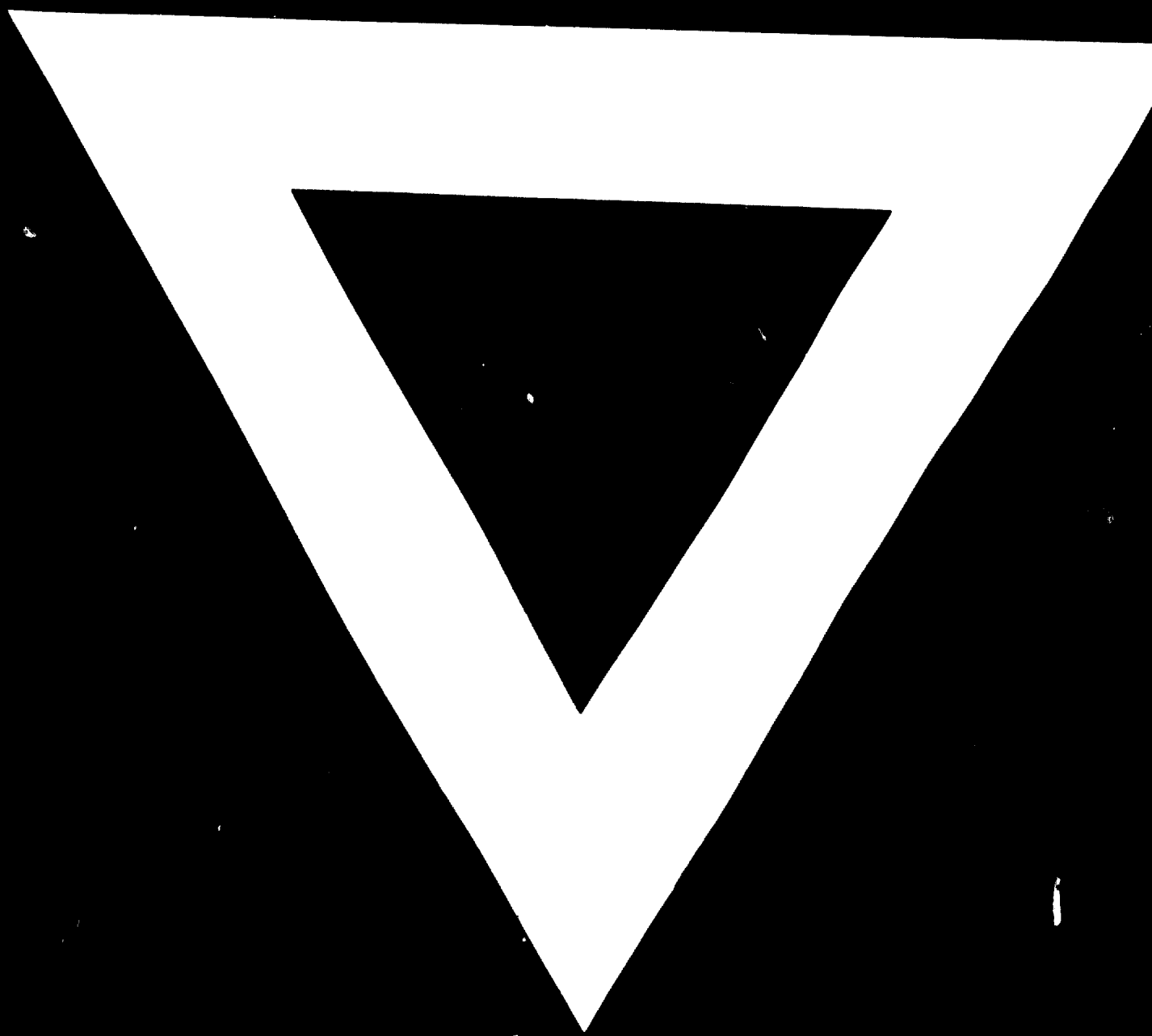
22. These contributions may be made, at the option of the Government, either at a pledging conference or in accordance with the Financial Regulations of the United Nations or by both these methods (Paragraph 23).

23. Regulation 7.2 of the Financial Regulations provides that "Voluntary contributions, whether or not in cash, may be accepted by the Secretary-General provided that they are consistent with United Nations policies, aims and activities". Contributions accepted for purposes specified by the donor Government are treated as trust funds to be disbursed in the manner specified (Reg. 7.3).

24. Voluntary contributions made to UNIDO will be utilized by the Executive Director for purposes consistent with the policies, aims and functions of the Organization. Depending on the nature and amount of the contributions, they may be utilized as previously stated in this report in supporting and supplementing existing programmes or in developing new ones to meet the special needs of industry, including such programmes as may be established by the Board.

25. In the case of "non-convertible" contributions to be disbursed locally in the donor countries or those accepted for specific purposes within the general activities of UNIDO, a plan of operation for the utilization of the pledged contributions would be proposed by UNIDO to the governments concerned for their approval. All such contributions pledged and paid into an account designated by UNIDO would be administered as funds-in-trust and disbursed in accordance with the agreed plan of operation. Reports on the status and progress of programmes financed by such contributions will be made by UNIDO in accordance with its standard reporting procedures.





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