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**STATEMENT OF THE EXECUTIVE DIRECTOR**  
**OF THE UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION**  
**TO THE SECOND SESSION OF THE INDUSTRIAL DEVELOPMENT BOARD**

18 April 1968

We regret that some of the pages in the microfiche copy of this report may not be up to the proper legibility standards, even though the best possible copy was used for preparing the master fiche.

1. I would like first to congratulate you, Mr. President, and the distinguished Vice-presidents and Rapporteur on your unanimous election and to assure you of our full co-operation in serving the Board in its deliberations during this session.
2. It was just one year ago that I appeared before the Industrial Development Board in its First Session in New York to report about the activities of UNIDO. One year ago UNIDO officially was an organization three months old besieged by difficult problems of transfer and settlement. Now the organization is one year older and is a going concern in Vienna, though naturally the pains of growth are still with it.
3. I may be permitted, Mr. President, to recall that the General Assembly of the United Nations passed its resolution deciding to establish UNIDO only in December 1965. Discussions by a Preparatory Committee in 1966 led to the General Assembly resolutions of November and December 1966 establishing UNIDO and selecting Austria as the host country for our headquarters. Negotiations started immediately with the Austrian Government, and the Headquarters Agreement was signed in New York in April 1967 during the First Session of the Board. Three months later a forward party of staff arrived in Vienna and the Government handed over to UNIDO the Felderhaus, which is the temporary headquarters of the organization. In the following months more than 500 staff members joined UNIDO in Vienna, a minority of them by transfer from the CID (Centre for Industrial Development) and other United Nations bodies, the majority as new recruits. As a result of this rapid build-up of staff, UNIDO has more than 60 per cent of its professional staff with less than two years' experience in the United Nations; 90 per cent of its general service staff had no previous relation with the United Nations; and all of its manual staff joined the organization only in Vienna. New staff members require a certain period of adjustment before they become fully effective. I may add that during the same time the organization itself has been experiencing re-orientation, adjustment and expansion. The transfer to Vienna would not have been possible without the generosity, the co-operation and the positive support of the Austrian Government and the authorities of the City of Vienna who have helped UNIDO and its staff continuously during the very critical period of initial settlement. I am sure that with this continued interest and co-operation UNIDO will be fully established in the next few years in its permanent headquarters on the banks of the Danube.
4. During 1967 UNIDO also undertook successfully one of its major activities, namely the holding of the International Symposium on Industrialization in Athens in December of that year. The Report of the Symposium is submitted to you for consideration. I would like to recall that the holding of the Symposium was beset with innumerable

difficulties. Its date had to be changed twice to co-ordinate it with the date of the Second UNCTAD which had been shifted twice. The venue of the Symposium created difficulties for many Member States who raised objections within the United Nations and outside it. The few weeks preceding the date of the Symposium witnessed a major political crisis which threatened all arrangements. Lastly, in the very midst of the meetings local political events created a state of emergency which was fortunately of short duration. The Symposium covered a large number of varied activities, and, in addition to the official meetings, a new venture, namely the Industrial Promotion Service, was organized, involving additional tasks for the Secretariat. If, as it is generally considered, the Symposium was a successful event, this was due to the interest of the Member States who contributed to its documentation and discussions, to the international organizations which took part in all its deliberations, and to the business and industrial representatives who participated in the Promotion Service. The arrangements by the host Government were fully satisfactory. The Symposium provided a unique opportunity for establishing a constructive dialogue between the developed and developing countries on a wide range of topics touching upon the various aspects of the process of industrialization of the developing countries. It provided a forum for an exchange of experiences, informal talks, and contacts between interested parties from all countries. The recommendations of the Symposium, as may be decided by the Board in the present session and also in the future, would provide lines of guidance for the activities of UNIDO in the following years.

5. In addition to the transfer to Vienna and the major event of the Symposium, the secretariat of UNIDO during the past year was fully guided by the letter and the spirit of the decisions of the Board at its First Session. A considerable effort was made to orient the activities of the organization in accordance with the guidelines provided by the resolutions of the Board. Major attention was given to the promotion and servicing of field activities and the adjustment of support activities towards the achievement of practical and concrete results. The Report of the Activities for 1967 reflects some of these aspects, while others have been incorporated in the programmes of 1968 and 1969 which are before the Board at this session. In examining these documents, the Board will indicate its recommendations and guidelines for further action. The process of re-orientation and adjustment of programmes and activities of international organisations, particularly when such organisations are still in the early formative stages, cannot be completed within a short time. For the next few years UNIDO must stand ready as necessary for further adjustments and re-orientation. This is a task which does not depend solely on the secretariat; it is very much related to the action of the Member States themselves, to the co-operation

of other international bodies within the United Nations family of organizations and outside it, and of the industrial and financial community at large. The great potential of action indicated above should not be overlooked in the further development of the programme of UNIDO. The Board may wish to guide the secretariat in this respect, particularly since some preliminary approaches have been developed during the last year and others are included in the programmes for 1968 and 1969.

6. Highest priority is being given to operational activities financed from voluntary contributions through the United Nations Development Programme and funds in trust. Operational activities can only be initiated at the request of recipient countries. UNIDO will always be ready on receipt of such requests to examine them, to recommend their acceptance and financing, and to undertake their implementation. UNIDO has four main programmes of operation, namely: the UNDP/Special Fund component; the UNDP/Technical Assistance component; the Special Industrial Services Programme; and the Regular Programme of the United Nations. All of these activities except the last have now been put on a continuous programming basis. Requests may be received practically at any time, and they have to be dealt with as they come; thus the secretariat has no way of knowing in advance which requests will be received and which requests will be accepted for implementation. Nor for that matter would any body or committee constituted for that purpose be in any different position. The Programme for 1969 includes only suggestions about such requests and projects in the course of implementation which in no way commit either the governments concerned or the UNDP. Under the circumstances UNIDO is becoming in fact a servicing organization which stands ready to receive, handle and implement requests that may come from any country at any time, although forward yearly programming is still the procedure for the Regular Programme. The change to continuous programming presents difficulties, particularly for UNIDO, not only because the organization is new but also because of the complexity of industrial operations which were not dealt with before and which involve delicate considerations of a technological, financial and frequently political nature. The secretariat of UNIDO needs, therefore, greater flexibility in procedures to enable it to face varying situations. It was hoped that the UNDP, being the central fund of the United Nations for financing operational activities, would develop correspondingly flexible procedures for handling industrial problems rather than having these problems fitted into forms and classifications which may have proved adequate in other areas.

7. The above considerations, namely continuous programming and flexibility in procedures, are inherent in the Programme of SIS (Special Industrial Services) which is now in its second year of effective operations. It was recognized then, and it is

more apparent now, that industrial requests from countries cannot always be foreseen two or three years ahead of time, and that suitable procedures should be established to handle situations of this type. The former EPTA procedures already included procedures for contingency allocations and re-programming but only as an exceptional measure. The experience with SIS confirms the indicated needs. Furthermore, the SIS programme brings UNIDO in closer contact with real and urgent problems of industry, thus widening the scope and effectiveness of the assistance. This programme should therefore be evaluated not only on the basis of dollars, but also with due regard to its effectiveness and the services rendered to industry.

8. The establishment of the system of field advisers of UNIDO in collaboration with the UNDP provides an important instrument for promoting operational activities and gives a further dimension of effectiveness to the activities of UNIDO in the developing countries. In 1967 UNIDO initiated the programme with five posts financed under its regular budget. It is hoped that the UNDP will gradually assume the financing of the field advisers, starting possibly in 1968 and developing further in 1969 and later. It is planned that eventually twenty field advisers will serve about eighty recipient countries in Africa, Asia, Latin America, the Middle East and Europe. A unit has been established at headquarters to service this programme.

9. In this connexion, I would like to mention that the Government of Switzerland has contributed to UNIDO 1 million Swiss francs, and negotiations are almost completed for the assignment of this fund to finance fellowships from the developing countries in order to acquaint them fully with the potential benefits that their countries may draw from the operational activities of UNIDO in the industrial field. The fellowship holders will in effect act as field advisers in reverse being the national counterpart of the international advisers. This will be a further step in the implementation of the directives of the Board which called for the development of operational activities and the strengthening of UNIDO's contacts with the developing countries.

10. Another step in the same direction has been taken recently by several countries as a result of the unanimous recommendation of the Athens Symposium to establish national committees in the Member States. The national committees will be central advisory bodies, comprising in their membership governmental and industry representatives; the committees will be able to develop a wide spectrum of co-operation with UNIDO, especially in the operational field. UNIDO has been notified officially of the establishment of national committees in India, Rwanda and Sudan. Many other countries are in the process of establishing such bodies. Even in the industrial countries the wide range of activities of UNIDO cannot be effectively handled by

one single body. As a matter of fact several developed countries have found it necessary, in connexion with their participation in the International Symposium and on other occasions, to establish a working group or some similar mechanism to handle UNIDO matters. It would be most helpful to UNIDO if such bodies were formally constituted as effective tools of co-operation and co-ordination with UNIDO. UNIDO on its part with the guidance of the Board, will keep all the national committees and similar bodies fully informed of its activities.

11. Taking into account all foreseeable expansions, the operational activities of UNIDO will not meet more than a small fraction of the requirements of the developing countries for external assistance in industry. There will always be a need for mobilizing resources and experiences much larger than those that could be made available through the operational programmes of UNIDO. This could be achieved through promotional projects offering high leverage effects which will become an increasingly prominent feature of the programme of UNIDO in future years. Initial activities of this type were undertaken in 1967, particularly during the holding of the International Symposium in Athens. The promotion of financing of industrial projects is also the subject of a training course currently conducted in New York in close collaboration with the financial establishments, the investment promotion centres of the developing countries, and UNITAR. The New York Liaison Office of UNIDO plays an important role in this development. Several countries are preparing requests to UNIDO which involve the establishment of promotional meetings between their authorities and possible interested investors. Under the promotion programme it is also contemplated that a number of promotion meetings will be convened, each devoted to a specific branch of industry, to which a selected number of participants from capital-exporting and recipient countries would be invited. Such meetings would take place either independently or in conjunction with other events such as industrial fairs and exhibitions. UNIDO is currently initiating discussions for such events in Czechoslovakia, Iran, Japan and other countries.

12. The developing countries also vitally need information to assist them in their industrial activities. To satisfy these requirements UNIDO has started the establishment of the Industrial Information Centre in Vienna. The Austrian Government contributed the equivalent of \$US200,000 to UNIDO in 1967, and it has been decided to use this contribution principally to finance the establishment of the Information Centre. This should be considered as another link in the long chain of contacts which UNIDO is establishing to reach directly and co-operate with the industrial and financial communities in the developing and the developed countries.



13. The requirements of industrialization can also be served in terms of the main branches of industry, such as iron and steel, fertilizers, chemicals, textiles etc. There is a great deal of experience already accumulated within the developing countries, where new investments are continuously put into the establishment of new factories and the expansion of existing ones. The leaders of these industries are facing many problems. The world market for raw materials and the finished products of these industries is changing continuously. New technologies are evolving and a multitude of equipment and procedures are being introduced. In handling any one of these problems adequate and recent information is required. These leaders should thus be given an opportunity of meeting their counterparts in other developing countries and assimilating new information and techniques available in the advanced countries. For these purposes UNIDO has initiated during the last three years a number of in-plant training courses for senior engineers and managers with the collaboration of advanced industry in some developed countries. There is now an urgent need to institutionalize these courses and to widen their scope so as to cover the full range of development requirements in the respective industries. The Board will find before it an Explanatory Note related to this subject (ID/B/26/Add.III). It is hoped that, with the help of the UNDP, a number of international institutes will be established in different countries during the next few years, each specializing in a particular branch of industry. I hope that the Board will examine this proposal and recommend it for implementation.

14. To support operational and promotional activities, it is necessary for UNIDO to continue its programme of research, meetings and expert groups in accordance with the guidelines established by the Board. While it is realized that UNIDO is not a research organization in the academic sense, its programme of activities should nevertheless have an important research component.

15. The United Nations family of organizations is beginning the preparatory work in connexion with what is generally called the Second Development Decade. This is a task which calls for specific data and projections of resources and development during the 1970's that would be both feasible and advisable. The part of this task which is related to industry is assigned to UNIDO. In order to prepare the necessary studies for the Second Development Decade, a certain amount of exploratory and statistical investigations will be required. I may add here that we hope to have close co-operation with FAO in this area as regards harmonized growth of industry and agriculture in the coming years. Noting the importance of achieving a substantial development of agriculture and food resources, and the parallel increase in demand for industrial goods that such growth will require and create, it becomes essential to look for a certain balance

of agricultural and industrial activities. In the studies for the Development Decade, the question of planning and development of manpower and skills is also of great importance, and appropriate collaboration in these studies will be established with ILO and UNESCO in particular.

16. I have dealt, Mr. President, with the operational activities of UNIDO, the new trends towards the promotional approach, the strengthening of contacts with financial and industrial communities, and lastly with some aspects of studies and research activities. Yet, this does not exhaust the potential activities of UNIDO. We should look into the future beyond the confines of the present programme. New areas of activities will be recognized in which UNIDO as an international industrial organization would have an important role. I may mention the area of international regulatory functions which may be indicated in the field of industry, whether in the form of codes and conventions or mandatory agreements; codes of ethics and practices of industrial consultation and advisory services; and world-wide co-ordination of research for industrial application, particularly in relatively new areas such as resources of the sea or space utilization. Within the next few years a number of world trade centres will be established in addition to those already existing. Major trade and information centres are being increasingly established in the advanced countries and are bound to have in the long run a very considerable effect in terms of the transfer of technologies and the establishment of new industries in the developing countries on the basis of an accepted new international division of labour. A potential area of considerable interest to UNIDO is the co-operation with these centres. I mention all such possibilities not to propose them in the specific programmes under consideration here but rather to look into the future in a way that may help us to see clearly the perspectives and the dimensions of the different activities of the organization.

17. The Board has important and specific duties as regards the co-ordination of the activities of the United Nations family in the field of industrial development. A number of documents are submitted for your consideration at this session as a result of the decisions of the Board last year. Some of these documents relate to the Consolidated Report, which is in its third year, and which, on further improvement and development, should become an essential instrument for the co-ordination of industrial activities. In the meantime, the creation of UNIDO as an autonomous organization has posed a number of questions which have had to be regulated as regards its co-operation with other agencies of the United Nations with active programmes closely related to industry. During the past year, bilateral discussions were held

with the executive heads of ILO, FAO, UNESCO, and WHO in order to clarify such questions. I am glad to report to the Board that considerable progress has been achieved in these bilateral discussions. Early this month notes of understanding were signed at the executive level between UNIDO and ILO and between UNIDO and UNESCO. It has been decided to continue the bilateral discussions with the organizations concerned so as to reach eventually draft agreements that would be submitted for endorsement by the Industrial Development Board and the governing bodies of the other organizations. Some practical steps have already been agreed upon, particularly for the promotion of joint work between UNIDO and the other organizations in specific fields. I have referred above to the collaboration with FAO in the field of planning of balanced agricultural and industrial development in connexion with the work on the Development Decade. It has been agreed to develop joint programmes with FAO in the areas of chemical fertilizers, insecticides, pesticides, agricultural machinery and equipment. Collaboration with FAO is also envisaged in promoting industrial contacts through the FAO industry co-operation group and by other means. The note of understanding with the ILO provides for close collaboration in operational activities related to management and training, development institutes for specific industry branches, and small-scale industry and entrepreneurship. There will also be co-operation in manpower planning and utilization of skills. As regards UNESCO, there has been a complete understanding between the two organizations for co-operation in the field of standards and industrial specifications as well as in other fields related to science, technology and education. The Report of the meeting of the Advisory Committee on Co-ordination, held early this month in Geneva, reflects the improved and hopeful climate of co-operation between UNIDO and other United Nations agencies. It is hoped that by the next session of the Board enough progress will have been made so as to submit to the Board draft agreements for its endorsement. The executive heads of the various agencies are all approaching this question of co-ordination not merely by claiming competence, whether on the basis of formal texts or established practices, but rather in a spirit of genuine co-operation to achieve the best utilization of resources and improve services to the developing countries. For the attainment of these objectives it will be most helpful to interpret texts and adjust practices in order to establish plans for fruitful future co-operation rather than to maintain past situations that have given rise to overlapping and conflict.

18. Co-ordination with the Regional Economic Commissions is another area which calls for further development. In this respect the bi-annual meeting of the Executive Secretaries of the Regional Commissions and the Director of UNESOB, under the chairmanship of the Under-Secretary General of the United Nations for Economic and Social

Affairs, has been providing convenient opportunities for discussions with the Regional Commissions. The Commissions have for many years developed active programmes in the field of industry and in the last few years have participated actively with UNIDO in the holding of the regional symposia for industrialization that preceded the International Symposium. The Regional Commissions also utilize the services of a large number of regional industrial advisers which are financed from the Regular Programme of UNIDO. The Executive Secretaries of the Regional Commissions have expressed keen interest in collaborating further with UNIDO through the programme of industrial field advisers, some of whom would also act as liaison officers between UNIDO and the Regional Commissions. It is proposed to pursue these discussions so as to benefit fully from the services of the field advisers and the regional industrial advisers attached to the Regional Commissions for purposes of co-ordination. In UNESOB, the industrial regional adviser has already assumed temporarily the additional duties of industrial field adviser in the area. Co-operation between UNIDO and the Regional Commissions should lead gradually to harmonization of programmes and closer collaboration in operational activities. With the great interest in industrial harmonization and co-operation among several regional groupings of the developing countries, UNIDO and the Regional Commissions, particularly through the services of the industrial advisers, should give effective support to regional industrial co-operation according to the policies of the respective countries. UNIDO will also endeavour to develop co-operation with the intergovernmental and non-governmental organizations, particularly those that are granted consultative status with the Board. These organizations on their part have shown great interest in the activities of UNIDO and their contributions will be highly useful.

19. The Board has before it a document on the draft estimates of expenditures of UNIDO for 1969 based upon the budgetary proposals that are now being submitted by the Secretary-General to the Advisory Committee on Administrative and Budgetary questions. The official budget document will be transmitted to the Board for information as soon as it is released, hopefully before the end of the session. The budget proposals for 1969 provide for very limited increases above the level of 1968.

20. Under the new procedures recently established by the General Assembly, the Board has before it for consideration and approval proposals for the planning levels of the Regular Programme for 1969 and 1970 and the proposed detailed Regular Programme for 1969 which has been established on the basis of requests from the field following consultations with governments in the recent months. In this connexion the Board may also wish to consider the question of establishing guidelines for the utilization of the funds under the Regular Programme, taking into account the particular needs in

assistance of developing countries in industry that could be most appropriately met under the Regular Programme. The operational activities to be financed from the UNDP - the Technical Assistance and Special Fund components - for 1968 are indicated in the programme for that year. For 1969, as has been mentioned above, only an indicative programme could be drafted for submission to the Board at the present time since the actual financing will depend on requests from the countries that will be approved by the UNDP. As regards the SIS, information on resources available and their utilization in 1968 and 1969 are given in the documents submitted. According to our estimates, the available funds under the SIS programme are likely to be fully obligated in 1969. The replenishment of the SIS funds by further voluntary contributions by governments is essential in order to provide an adequate reserve that would ensure the continuity of this highly effective programme.

21. In addition to the voluntary contributions under the SIS programme, contributions have been made by a certain number of governments to finance UNIDO activities in industry for various purposes; negotiations to this effect are proceeding between the donor governments and UNIDO. It was possible to finance with these contributions both field and Headquarters projects in various areas. The role of voluntary contributions as a source of financing the expanding activities of UNIDO outside the conventional sources is dealt with in document ID/B/30, to which I wish to draw the attention of the Board.

22. As a general observation on the problem of financing the future operational and promotional activities of UNIDO, I may be permitted to state that the financing situation is beset by many uncertainties, not only because of the change in the procedures of financing under the UNDP/TA component, to which I referred above, but also owing to the fact that there are divergences of views in this area between members of the Board and the General Assembly. It is not my intention to express a judgement in this matter but it is my duty to point out that an organization which is new and is intended to be essentially operational would require a much greater degree of certainty in its operational horizon as regards its financial resources.

23. Mr. President, on looking into the programme of activities of UNIDO the first impression that one might gain is that of fragmentation into a large number of seemingly separate projects. This apparent fragmentation of the programme is a reflection and consequence of the operational approach which calls for UNIDO to be a servicing agency responding to the specific needs of countries in the various branches of industry. This is also a reflection of the multiplicity and complexity of industrial problems faced by the developing countries. Yet UNIDO has developed coherent and general approaches in its programmes in the form of the fifteen main

areas in which the activities are presented to the Board and also in the form of the main procedures of action under field operations, promotion, co-ordination, research and studies, and contacts. While the guidelines of the Board have consistently stressed the need for UNIDO to respond to requests from the field, other United Nations bodies which are examining co-ordination and programming are developing guidelines that require long-range planning and major projects or activities. These two sets of guidelines may appear contradictory, but in reality the programme of UNIDO is satisfying both of them in the sense that the programme is made up of specific items which conform both in their content and approach to a framework of general policies and actions. Separate industrial activities imply by necessity a set of national policies in the economic, trade and financial fields. The implementation of any specific industrial action takes place of necessity within a certain international context as regards trade, aid and transfer of technology. The activities of UNIDO, therefore, are in a sense the practical application of these general policies within the given world situation. UNIDO on its part would have to study and keep under continuous review the developments in general policies on both national and international levels. UNIDO has approached its tasks on the basis of a fundamental though implicit concept that in every specific industrial activity there must be a possibility of mutual benefit to the parties concerned. UNIDO has therefore to foster greater co-operation between different parties that may eventually co-operate in one form or another to build new industries and to expand industrial activities in the developing countries

24. The Board is meeting at a time when the world is going through a period of difficulties in the political and economic fields. As regards particularly the economic field, the difficulties in the balance of payments being experienced by certain large countries in the West and the recent disturbances in the international monetary field have certainly contributed to dim the immediate prospects of a substantial increase in aid and international assistance by the rich countries to the developing areas, an increase which is essential in order to make possible an accelerated economic development of the latter countries and in particular to accelerate their process of industrialization. Nevertheless, it is to be hoped that in spite of the difficulties of this moment international co-operation in the economic field will continue to grow. The industrialized countries are fully aware of the economic, social and political problems posed by the situation of underdevelopment and of the necessity for continued and vigorous action in the field of international economic assistance in order to avoid the widening of the economic gap between the poor and rich countries and the consequent potential dangers not only in the economic

sense but also as regards security and peace. It is in this longer-range perspective of international solidarity and co-operation that it is appropriate to place the activities of UNIDO. In the short run the activities of UNIDO are aimed at improving the utilization of existing industrial capacities and skills in the developing countries and achieving the best utilization of resources for this objective that may be available from the advanced countries. These specific activities will also hopefully contribute in the long run towards an improvement in the general field of industrial development that would be mutually beneficial to all countries.





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