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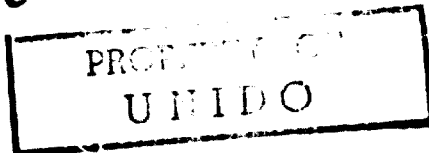
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United Nations Industrial Development Organization

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INDUSTRIAL DEVELOPMENT BOARD

First Session

SUMMARY RECORD OF THE TWENTY-SECOND MEETING

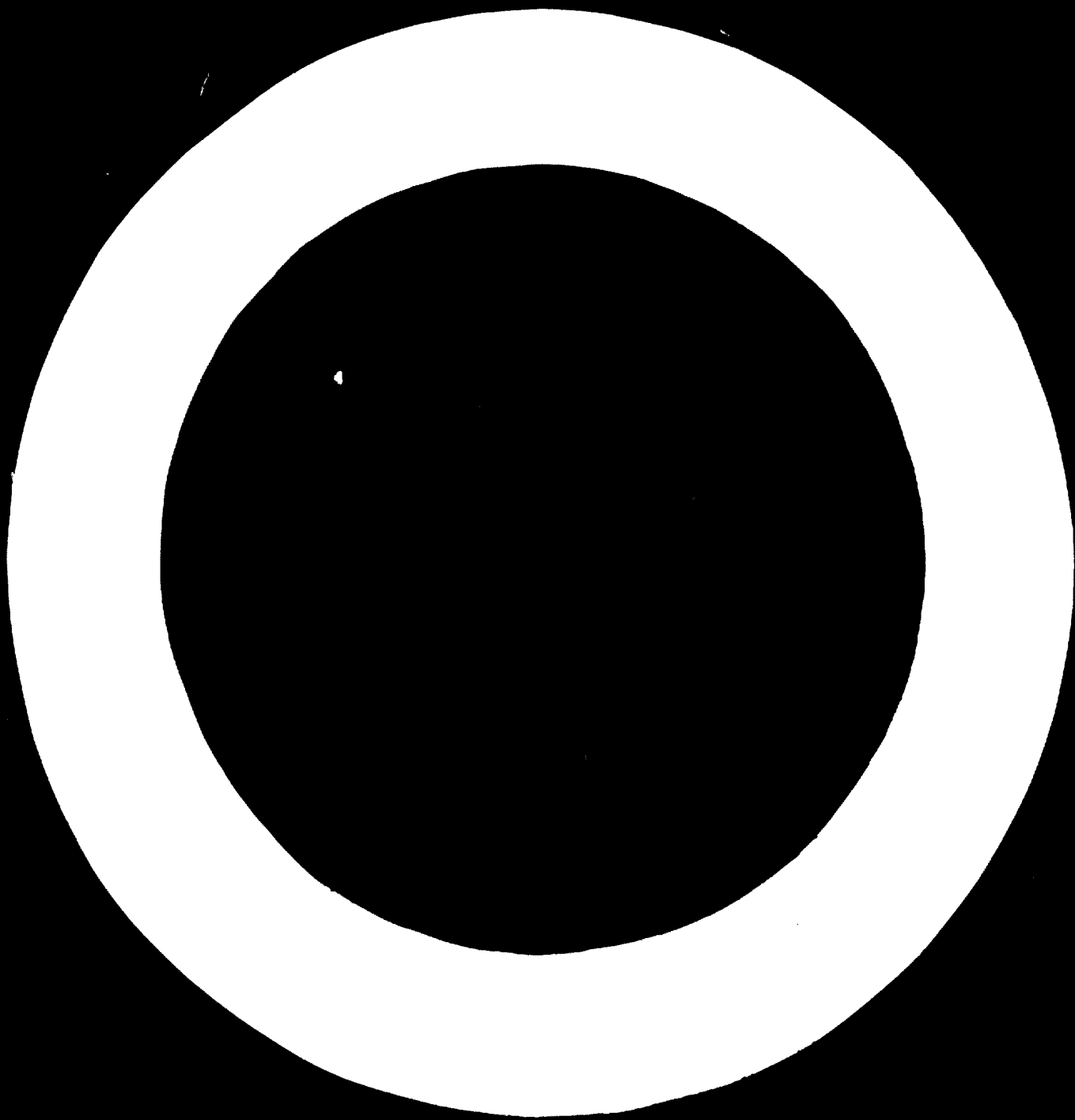
Held at Headquarters, New York,
on Friday, 28 April 1967, at 10.45 a.m.

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Review of activities of the United Nations system of organizations in the field of industrial development (ID/B/3 and Add.1-8)



PRESENT:

<u>President:</u>	Mr. TELL	(Jordan)
later,	Mr. BRADLEY	Argentina
<u>Rapporteur:</u>	Mr. MBAYE	(Guinea)
<u>Members:</u>	Mrs. SAILER	Austria
	Mr. DELVAUX	Belgium
	Mr. CARVALHO SILOS)	Brazil
	Mr. PATRIOTA)	
	Mr. VLADOV	Bulgaria
	Mr. BELEOKEN)	Cameroon
	Mr. ZOA)	
	Mr. ABELL	Canada
	Mr. HERRAN-MEDWA	Colombia
	Mr. SANCHEZ LAMERAN	Cuba
	Mr. MUZIK	Czechoslovakia
	Mr. SCHMIDT-HORIX	Federal Republic of Germany
	Mr. TORNVIST	Finland
	Mr. CESAIRE	France
	Mr. THERSON-COFIE	Ghana
	Mr. DIABATE	Guinea
	Mr. CHADHA)	India
	Mr. GUPTA)	
	Mr. TAIHITU)	Indonesia
	Mr. MARTONEGORO)	
	Mr. ORDOOBADI	Iran
	Mr. PISANI MASSAMORMILE)	Italy
	Miss FORCIGNANO)	
	Mr. SIBI	Ivory Coast
	Mr. ABE	Japan
	Mr. KHURMA	Jordan
	Mr. SHAMMAS	Kuwait
	Mr. LUBBERS)	Netherlands
	Mr. BODDENS HOSANG)	
	Mr. OLUMIDE	Nigeria
	Mr. FERNANDINI	Peru

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PRESENT (continued):

<u>Members</u> (continued):	Mrs. KODIKARA	Philippines
	Mr. DUMITRESCU	Romania
	Mr. RYABONYENDE	Rwanda
	Mr. GUERECA	Spain
	Mr. SAHLOUL	Sudan
	Mr. KALDEREN)	Sweden
	Mr. HULTNER)	
	Mr. DAHINDEN	Switzerland
	Mr. BARPUYAWART	Thailand
	Mrs. SOLOMON	Trinidad and Tobago
	Mr. CUHRUK	Turkey
	Mr. ANANICHEV	Union of Soviet Socialist Republics
	Mr. SALAMA	United Arab Republic
	Sir Edward WARNER	United Kingdom of Great Britain and Northern Ireland
	Mr. GOLDSCHMIDT	United States of America
	Mr. MENDIOLA	Uruguay
	Miss CAMPBELL	Zambia

Observers for Member States:

Mr. RAHMANI	Algeria
Mr. BENSON	Australia
Mr. SIDASH	Byelorussian Soviet Socialist Republic
Mr. FU	China
Mr. MULONGO	Congo (Democratic Republic of)
Mr. OLSEN	Denmark
Mr. SUBERO	Dominican Republic
Mr. TRIGJEROS)	El Salvador
Mr. MARTINO SIGUI)	
Mr. MAKAYA-CASTANOUL	Gabon
Mr. COLLAS	Greece
Mr. SHAI	Israel
Mr. WHITING	Jamaica

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PRESENT (continued):

Observers for Member States (continued):

Mr. CARRANCO AVILA	Mexico
Mr. LYNCH	New Zealand
Mr. SVENNEVIG	Norway
Mr. NENEMAN	Poland
Mr. LAVCEVIC)	Yugoslavia
Mr. SKATARETIKO)	

Representatives of specialized agencies:

Mr. AMMAR	International Labour Organisation
Mr. ATEN	Food and Agriculture Organization of the United Nations
Mrs. THOMAS	United Nations Education, Scientific and Cultural Organization
Mr. PERINBAM	International Bank for Reconstruction and Development

Representatives of other United Nations bodies:

Mr. COHEN	Assistant Administrator, United Nations Development Programme
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Secretariat:

Mr. ABDEL-RAHMAN	Executive Director, United Nations Industrial Development Organization
Mr. QUIJANO CABALLERO	Director, Technical Co-operation Division
Mr. GRIGORIEV	Director, Industrial Technology Division
Mr. BIRCKHEAD	Acting Director, Division for Administration and Finance
Mr. MULLER)	United Nations Conference on Trade and Development
Mr. STORDEL)	
Mr. SYLLA	Secretary of the Board

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FINANCIAL QUESTIONS (continued)

Mr. ABE (Japan) said that the discussion had produced a number of suggestions which, if followed up in a constructive way, could form the basis for guidelines to ensure the effectiveness of UNIDO's work. His delegation hoped that those suggestions would be the subject of further detailed consideration, so that the Board could revert to the question of financing at its second session.

Although his delegation fully appreciated the developing countries' natural desire that voluntary contributions to UNIDO should be announced at a pledging conference, it was not in favour of convening such a conference, since it was clear that it would not achieve the desired results. That did not mean, however, that Japan had adopted a negative or apathetic approach to the work of UNIDO; in fact, Japan was continuously considering the possibility of increasing its contribution to UNIDO within the over-all framework of its bilateral and multilateral economic, financial and technical assistance policies. A specific decision on that question would be taken when the Japanese Government had examined UNIDO's revised work programme and the principles it would reflect.

He noted that the only qualification placed on the voluntary contributions provided for in General Assembly resolution 2152 (XXI) was that they should be used for operational activities. In the view of his delegation, therefore, it was unnecessary to adopt a resolution on financial questions, and he suggested that the Board should merely take note of the views expressed during the discussion.

ORGANIZATION MATTERS' INCLUDING THE STRUCTURE AND FUNCTIONS OF THE SECRETARIAT (ID/B/L.1, ID/B/L.3) (continued)

Mr. COHEN (Assistant Administrator and Director, Bureau of Operations and Programming, United Nations Development Programme) described the process by which new requests to UNDP were developed and approved. Project requests were prepared by Governments, with assistance from the staff members of UNDP, UNIDO and other United Nations agencies. They were then submitted through the UNDP Resident Representatives for appraisal, in the course of which UNDP consulted with the various agencies having a special interest or technical competence in the matter. At the same time requests were circulated by UNDP to Governments having bilateral technical assistance programmes so that they might give their views, thus placing project requests in the larger context of existing development action. A further

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(Mr. Cohen, UNDP)

step was the designation of an executing agency by the Administrator of UNDP. The whole process was then reviewed by the Inter-Agency Consultative Board, in which UNIDO was represented.

Many projects were of interest to more than one agency; for example, projects relating to food processing, hides and skins, forestry products and fertilizers, were of interest to both FAO and UNIDO. Also in the case of some projects, the executing agency might be instructed to call on the services of another agency or agencies, and UNIDO would certainly be involved in such arrangements. Finally, the execution of projects essentially depending on requests from governments had specific interest for the Board when UNIDO became Executing Agency, and general interest when other agencies were designated for industrial projects.

Under the Special Fund component of UNDP, there were three projects approved in January 1967 for which UNIDO had been designated an executing agency and seventeen projects approved earlier for which the United Nations had been designated as executing agency but which UNIDO might expect to inherit. The Centre for Industrial Development had played a role in the formulation of recommendations for most of those projects. Thus, UNIDO had twenty large-scale projects costing some \$20 million in its programme of work, necessitating the recruitment of 129 experts to serve 351 man-years. To date, only thirty experts have been recruited. That indicated the magnitude of the work UNIDO would have to assume in respect of projects already approved under the Special Fund component. Under the technical assistance component, the \$16 million programme approved for the 1967-1968 biennium included projects costing some \$6.5 million in the industrial field for which either the United Nations or UNIDO would assume responsibility. There was thus a very large programme awaiting UNIDO, and UNDP would render every assistance in its execution.

About forty new requests for industrial projects were now in the "pipeline", of which perhaps twelve would be developed into first-class projects. Very tentatively, it was possible to say that four or five might be recommended by the Administrator to the Governing Council within the coming year for execution by UNIDO, though he could not anticipate future decisions of the UNDP Governing Council. Concerning areas of work in the future he stressed the value of experimental industrial units which were specially suitable for UNIDO's implementation..

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On the question of operational collaboration between UNDP and UNIDO, he welcomed the suggestion that industrial advisers should be stationed at UNDP field offices and hoped that the idea would shortly be put into practice on an experimental basis. The Administrator was prepared to recommend that a number of posts of that kind should be financed jointly, and although the Governing Council had questioned the financial implications of such arrangements he was confident that there would be support for the programme. Both the Board and the Governing Council might consider whether it would be proper to use funds under the programme of Special Industrial Services for that purpose.

In conclusion, he assured the board that UNDP would continue to work in the closest possible co-operation with UNIDO.

Mr. SHAMMAS (Kuwait) noted that General Assembly resolution 2152 (XXI), paragraph 17, provided that UNIDO was to have an adequate, permanent and full-time secretariat. Since the adequacy of the secretariat could only be defined in terms of what it was required to do, any decision on organizational matters would presumably have to be deferred until the Board had settled the future programme of work. The subsidiary organs referred to in paragraphs 14 and 15 of the resolution could usefully supplement the efforts of the UNIDO secretariat.

Mr. Bradley (Argentina), Vice-President, took the Chair.

Mrs. KODIKARA (Philippines) emphasized the importance of equitable geographical distribution in the recruitment of staff for the UNIDO secretariat.

The organizational chart on page 5 of document ID/B/L.3 pointed to an excessive fragmentation of the secretariat. To save money and increase efficiency, she suggested that the following sections, for instance, might be merged: budget and finance, protocol and liaison, and translation and interpretation. With the saving thus effected the emphasis could be switched from central administrative services to regional and field services, in conformity with the Board's desire to emphasize operational activities.

Her delegation believed that Special Industrial Services should continue to be dealt with separately, pending consideration by the Board of the criteria applicable to such services.

Mr. DUMITRESCU (Romania) said that one of the most important organizational problems facing UNIDO was the establishment of a soundly constructed secretariat. Sufficient regard should be paid both to problems relating to the organizational structure of the secretariat and to those affecting the recruitment of personnel. In order to achieve maximum efficiency with minimum expenditure, the structure of the secretariat should satisfy four conditions. Firstly, its activities should be concentrated in spheres which corresponded to the priority needs of developing countries and afforded the greatest possibility of effective action. Secondly, account should be taken of the technical expertise available in the specialized agencies and the regional economic commissions, and of the possibilities of close co-operation with those bodies. Thirdly, in order to avoid cumbersome organizational machinery, there should be a rational diversification of the structure of the secretariat, including an appropriate balance between technical and administrative personnel and between headquarters staff and regional and local personnel. Lastly, the structure must be flexible and capable of subsequent improvement in the light of new requirements. In the recruitment of specialists for the secretariat, the membership of UNIDO must be more faithfully reflected; it was essential that such staff should be highly qualified and should be assigned to departments where their special skills would be put to use. Much effort would be needed if those simple objectives were to be achieved. His delegation was surprised to note that the tentative target establishment (ID/B/L.3) made no provision for a European Unit in the Technical Co-operation Division. It was to be hoped that that was merely an oversight, since European countries, like those of other regions, were interested in furthering international co-operation by sharing their experience in the field of industrialization and assisting those countries which were striving to become fully developed.

Mr. VLADOV (Bulgaria) said that he entirely agreed with the Romanian representative's remarks, particularly with respect to the failure to provide for a European Unit in the Technical Co-operation Division.

Mr. MENDIOLA (Uruguay) observed that, as UNIDO was in the formative stage, members should not expect it immediately to begin realizing its full potential as an action-oriented organization. The Board should therefore think in very general terms until after the International Symposium; that would mean, in effect,

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(Mr. Mendiola, Uruguay)

maintaining the existing structure and working on the basis of programmes already under way, giving priority to a limited number of particularly important activities. At the present stage, UNIDO must make a choice between doing a few things well and undertaking a large number of activities to which it could not yet do justice. Initially, therefore, it should assume complete responsibility for projects in only two or three areas.

One of the ways in which it could be particularly helpful would be by co-operating with public and private national institutions whose activities had a multiplying effect, such as development banks and training establishments.

If UNIDO was to be the dynamic organization which its creators had intended, it must be subject to periodic evaluation and must adjust to changing realities. For the time being, the recruitment of technical staff should be limited to the most essential requirements, on the understanding that the Board could authorize further recruitment at a later session if necessary. Finally, Governments should be requested to establish machinery, in which both the public and the private sectors would be represented, to maintain contact with the organization.

Mr. GOLDSCHMIDT (United States of America) expressed the belief that UNIDO should give primary emphasis to the development of additional programmes in the industrial field and to the rapid execution of the projects already on its work programme. While the needs of the less advanced nations in the field of industry were indeed great, the volume of good industrial projects had been so small as to cause concern about the operational activities of UNIDO and to raise questions in the minds of some delegations as to whether existing projects being executed by other organizations in the United Nations family should be transferred to UNIDO.

The pace of industrialization was accelerating. The more industrially advanced a country became, the faster was its rate of advancement and the greater were its needs. UNIDO should take advantage of every possible means to stimulate projects and to ensure that they were speedily carried out. To that end, it should station a number of industrial generalists, on long-term assignments, in the offices of Resident Representatives in a carefully selected sample of developing countries, and in the regional economic commissions for Africa, Asia and Latin America. Such personnel could be financed under the administrative budget of UNDP,

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(Mr. Goldschmidt, United States)

the technical assistance programme of UNDP or the United Nations regular programme of technical assistance, or under all three. They should develop industrial projects, see to the expeditious execution of existing projects, maintain liaison with UNIDO headquarters, advise Governments and promote co-ordination. In addition, the Executive Director could use existing industrial development centres in countries such as the United Republic of Tanzania to supplement their work. That would present little difficulty in cases where UNIDO was currently the executing agency for a UNDP Special Fund project to set up such a centre. The Executive Director should also continue his programme of sending "flying squads" of specialists on ad hoc missions to the field as required. Finally, UNIDO should attempt to fill any remaining gaps in the range of assistance it could offer through its Programme of Special Industrial Services. In short, UNIDO should use every possible technique to develop projects and speed their completion. It was still too early to say what mix of techniques was best, and it was therefore important that all approaches should be tried as quickly as possible.

At the same time, UNIDO should not neglect its headquarters organization. Although the move to Vienna would inevitably cause difficulties, UNIDO should continue to provide adequate administrative and programme support to personnel in the field. In order that as much of UNIDO's resources as possible might be devoted to field activities, the headquarters staff should be kept small, and UNIDO should rely on consultants and other outside help for specialized expertise. That would give the organization flexibility, allowing it to tailor its assistance to the specific needs of the developing countries and to draw upon the technical expertise of industry around the world.

The documents on the organization of the UNIDO secretariat (ID/B/L.1, ID/B/L.3) had been prepared before the Board had had an opportunity to suggest guidelines for the secretariat structure and before the future programme of work had been approved. Final responsibility for organizing the UNIDO secretariat would rest with the Executive Director, but the various suggestions put forward by members of the Board would doubtless be useful to him. Document ID/B/L.3 provided for too great a reliance on highly specialized staff, whom it would be better to hire on an ad hoc basis.

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(Mr. Goldschmidt, United States)

For the immediate future, his delegation hoped that, until the Board could draw up a programme of work and until more requests were received, the Executive Director would concentrate on rapidly building up his field staff and that he would recruit no more headquarters personnel than were needed to support field operations.

Mr. FERNANDINI (Peru) noted that, according to document ID/B/L.3, the staff of UNIDO could be grouped in three major functional categories: central services, regional and field services, and technical services. The heads of those services would presumably be of equal rank; perhaps one of them could be given the task of co-ordinating the activities of the three groups. In any case, the Executive Director would be fully responsible for all the work carried out under his authority, and the Board would not be able to evaluate the effectiveness of the proposed machinery until it had gone into operation. Obviously, the structure of the secretariat could not yet be definitively organized, since it would depend on the work programme, but it could be said from the outset that the headquarters staff should be as small as possible. There seemed to be general agreement that decentralization of the staff would ensure greater efficiency and reduce costs. Regional centres staffed by UNIDO personnel should therefore be established in Asia, Africa and Latin America; the existence of such centres would greatly facilitate co-operation and co-ordination with other United Nations agencies dealing with industrial development, particularly the regional economic commissions.

Any suggestion that the work of UNIDO in the developing countries should be organized through the regional economic commissions or through UNDP ran directly counter to the principle of the autonomy of the new organization. Some representatives of industrialized countries seemed to think that UNIDO was to be simply a part of UNDP; yet General Assembly resolution 2152 (XXI) made it quite clear that it was to be an autonomous body, and if it was to function effectively as such it must eventually have representatives in all countries to ensure co-ordination with the specialized agencies and other bodies concerned with economic development.

Another consideration favouring decentralization was the fact that the cost of living was lower in the developing countries than at Vienna with the result that

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(Mr. Fernandini, Peru)

in real terms staff salaries would be higher there than at UNIDO headquarters. Service in the developing countries would also provide an opportunity for staff members to familiarize themselves with the local languages and customs, which in turn would enable them to perform more effectively.

A small office representing UNIDO should be maintained at United Nations Headquarters for purposes of co-ordination.

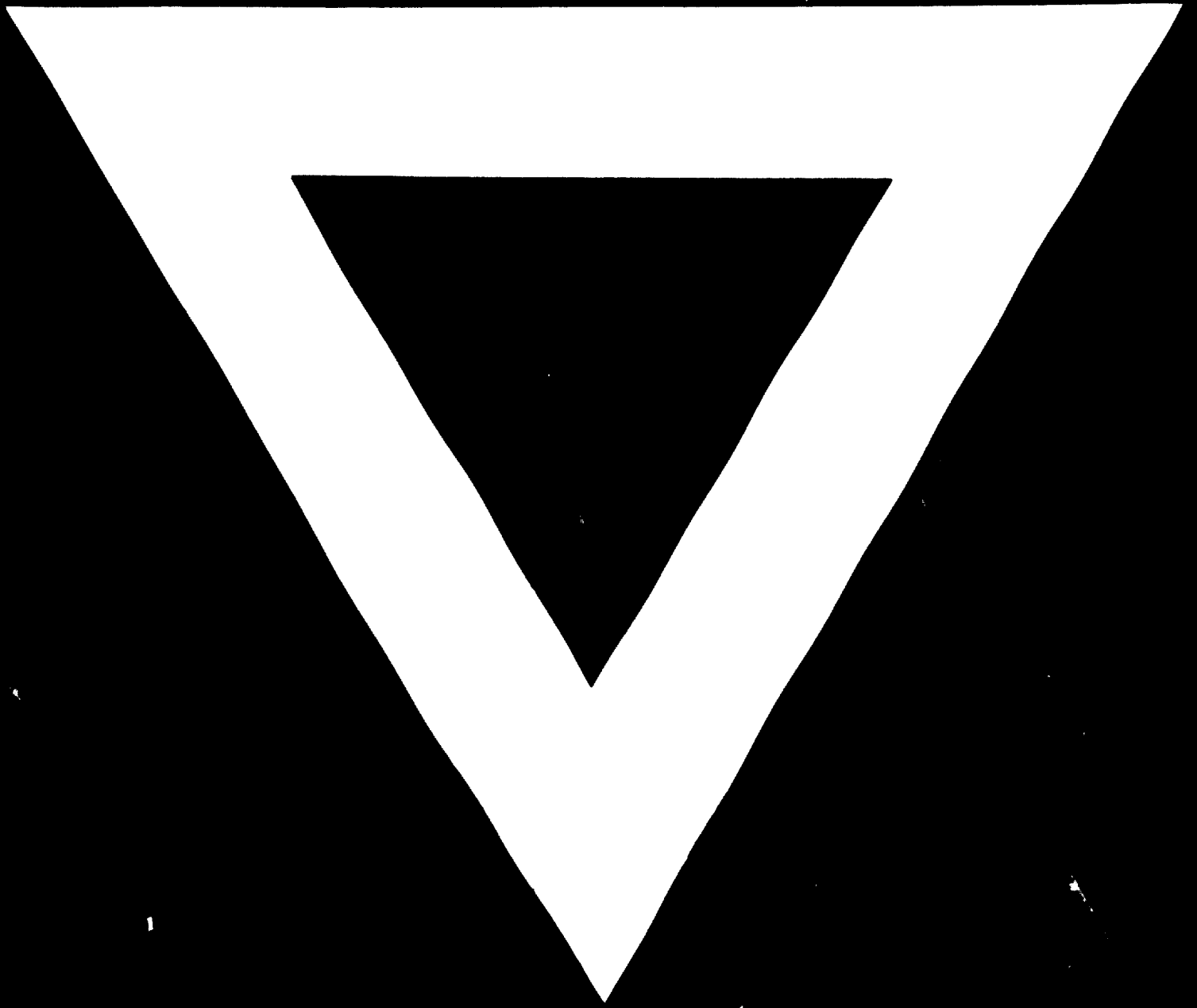
All those ideas were embodied in draft resolution ID/B/L.8, which he introduced on behalf of the sponsors.

REVIEW OF ACTIVITIES OF THE UNITED NATIONS SYSTEM OF ORGANIZATIONS IN THE FIELD OF INDUSTRIAL DEVELOPMENT (ID/B/3 and Add.1-8)

Mr. LUBBERS (Netherlands) recalled the suggestion made by some delegations that document ID/B/3 and Add.1-8, because of its great length, should be condensed. In his view, however, as it was a comprehensive document to be used for reference purposes only, it would continue to be most useful in its extended form. Instead of condensing it, the secretariat should add to it wherever it was incomplete; for instance, the section on industrial property made no mention of the work of the International Union for the Protection of Industrial Property.

The meeting rose at 12.45 p.m.





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