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Industrial Development Board
Second Session

SUMMARY RECORD OF THE FORTY-FIRST MEETING

Held at the Neue Hofburg, Vienna,
on Thursday, 18 April 1968, at 10.20 a.m.

President: Mr. STANDENAT (Austria)
Rapporteur: Mr. AGHASSI (Iran)

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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.

ADOPTION OF THE AGENDA (ID/B/19)

1. The PRESIDENT said that, having consulted the other members of the Bureau, he would like to suggest that the Board should adopt the provisional agenda (ID/B/19) as it stood, and postpone consideration of the order of discussion of the items and the organization of the Board's work until a later stage. After adopting the agenda, the Board could begin the general debate. Organizational questions could then be discussed informally in the various groups before being taken up formally by the Board.
2. Mr. BILTECOURT (Brazil) noted that the title of item 10 of the provisional agenda contained no reference to the problems concerning the decentralization of UNIDO's activities or to the establishment of standing committees as subsidiary organs of the Board. He thought that these points should be specifically mentioned in the agenda which, moreover, made no mention of the pledging conference provided for in Section II, paragraph 13(a), of General Assembly resolution 2152 (XXI) and in operative paragraph 1 of resolution 2 (I) of the Board.
3. Mr. BLAISE (Netherlands) said he assumed that certain other points which were not specifically mentioned in the agenda, such as the role of foreign private capital, could be discussed under the most appropriate item.
4. The PRESIDENT suggested that the provisional agenda should be adopted on the understanding that the various points raised would be discussed by the Board in due course.
5. The provisional agenda (ID/B/19) was adopted.

GENERAL DEBATE

6. Mr. ABDEL-RAHMAN (Executive Director) recalled that when he had last had an opportunity to report to the Board, at its first session, UNIDO had been only three months old. At that first session, the Headquarters Agreement had been signed with the Austrian Government. Three months later an advance party of

staff members had arrived at Vienna to be joined, in the following few months by more than 500 other. Only a minority of that number had been transferred from the Centre for industrial Development and other United Nations bodies, the majority consisting of new recruits. Sixty per cent of UNIDO's professional staff had less than two years of experience in the Organization and 90 per cent of the general service staff had had no previous connexion with the United Nations. The Organization was thus inevitably going through a period of adjustment. The Austrian authorities had been extremely co-operative and he was sure that, with continued co-operation, UNIDO would be established in its permanent headquarters on the banks of the Danube within the next few years.

7. One of UNIDO's major activities had been the holding of the International Symposium on Industrial Development at Athens, the report of which was before the Board (ID/B/21 and Corr.1 and Add.1). The holding of the Symposium had been beset with difficulties, including an emergency situation arising out of local political events while the meeting was actually in progress. The Symposium had covered a large number of items and in addition to the official meetings a new venture, namely the Industrial Promotion Service, had been organized. It was generally considered that the Symposium had been a success, thanks to the efforts of all the participants, and the arrangements by the host Government had been fully satisfactory. The Symposium had provided an opportunity for a constructive dialogue between developed and developing countries on a wide range of topics relating to industrialization, for the exchange of experience, and for contacts between interested parties in the different countries. The recommendations of the Symposium, if approved by the Board, could provide guidance for the future activities of UNIDO.

8. A considerable effort had been made during the past year to orient UNIDO's activities along the guidelines provided by the Board in resolution 1(I). Major attention had been devoted to the promotion and servicing of field activities and the adjustment of supporting activities to ensure practical results. The process of re-orientation and adjustment of programmes would take time. The task did not depend solely on the Secretariat: it had much to do with action by member States and the co-operation of other international bodies and with the industrial and financial community at large. In the further development of UNIDO's

programme, the whole of that potential for action should be taken into account and the Board might wish to guide the Secretariat in that respect.

9. Highest priority was being given to operational activities financed from voluntary contributions through UNDP and funds in trust. Of UNIDO's four main programmes of operations - the UNDP/Special Fund component, the UNDP/Technical Assistance component, the Special Industrial Services Programme and the regular programme of the United Nations - all except the last had now been established on a continuous programming basis. However, the Secretariat had no way of knowing beforehand what requests would be received and approved, nor would an especially established committee be in a different position. The 1969 programme was therefore merely an indication of projects under consideration. UNIDO was, in effect, becoming a servicing organization which stood ready to receive, handle and fulfil industry requests that might come from any country at any time, although forward yearly programming was still the procedure for the United Nations regular programme. The change to continuous programming presented particular difficulties for UNIDO because of the complexity of many industrial operations. The UNIDO Secretariat therefore needed greater flexibility in procedures to deal with varying situations.

10. Those considerations were at the basis of the SIS programme. When that programme had been instituted, it had been apparent that some industrial requests could not be foreseen two or three years ahead of time and that suitable procedures would be required for handling them; the procedures of the Expanded Programme of Technical Assistance had allowed for contingency allocations and re-programming as exceptional measures only. The SIS programme also brought UNIDO into closer contact with real and urgent problems of industry. It should therefore be evaluated not only in monetary terms but with due regard to the effectiveness of the assistance rendered.

11. The establishment of the system of UNIDO field advisers in collaboration with UNDP was an important means of promoting operational activities and making UNIDO's activities more effective. The programme had been initiated in 1967 with five posts financed from the organization's regular budget. It was hoped that UNDP would gradually assume responsibility for financing the programme, which would eventually provide for some twenty field advisers, and for which a servicing unit had been established at headquarters.

12. The Swiss Government had contributed 1 million Swiss francs to UNIDO and it was hoped that that sum could be spent on fellowships to acquaint students from developing countries with the potential benefits of the operational activities of UNIDO. The fellowship-holders would in effect be the national counterparts of field advisers. That would be a further step in compliance with the Board's directive concerning the development of operational activities and the strengthening of contacts between UNIDO and the developing countries.

13. Another step in the same direction had been taken by several countries as a result of the recommendation of the Athens Symposium on the establishment of national committees for UNIDO. Those committees would be central advisory bodies including representatives of government and industry. UNIDO had been officially notified of the establishment of national committees in Sudan, Rwanda and India, and many other countries were in the process of establishing such bodies. Committees of that kind would be most helpful in assisting co-operation and co-ordination with UNIDO, and UNIDO would keep them fully informed of its activities.

14. The operational activities of UNIDO could never meet more than a small fraction of the requirements of the developing countries for external assistance for industry. Promotional projects providing a leverage effect would therefore become an increasingly prominent feature of UNIDO's programme. The promotion of the financing of industrial projects was the subject of a training course currently being held in New York. Several countries were preparing requests to UNIDO concerning the establishment of promotional meetings between their authorities and possible investors. It was also hoped to convene a number of promotion meetings, each devoted to a specific branch of industry, to which a selected number of participants from donor and recipient countries would be invited. Such meetings might take place in conjunction with such events as industrial fairs.

15. The developing countries were also in urgent need of information to assist them in their industrial activities. To meet that need UNIDO was preparing to establish an Industrial Information Centre at Vienna. The Austrian Government had contributed \$200,000 to UNIDO in 1967 and that contribution was to be used principally to finance the Information Centre, which would constitute another

link in the chain of contacts which UNIDO was establishing with the industrial and financial communities in the developing and developed countries.

16. In order to sustain the experience already accumulated by developing countries and to keep those countries informed of changes in the world market situation and of new technologies and procedures, a number of in-plant training courses had been initiated during the past three years. However, as there was now urgent need to institutionalize those courses, he hoped that the Board would examine the proposal before it (ID/B/26/Add.3) and recommend the establishment of international institutions specializing in particular branches of industry.

17. To support operational and promotional activities UNIDO must continue its programme of research, meetings and expert groups in accordance with the guidelines established by the Board. Although UNIDO was not a research organization in the academic sense, its programme should nevertheless be firmly founded on research.

18. The United Nations family of organizations was starting preparations for the Second Development Decade and the part relating to industry was assigned to UNIDO. The studies entailed in that task required exploratory and statistical investigations and planning, and co-operation would be offered by FAO, the ILO and UNESCO.

19. In the future, UNIDO could be expected to play an important role in such new areas of activity as the regulation of industrial relations and practices and the co-ordination of research for industrial application, especially in such new fields as resources of the sea and space utilization. A further potential area of interest would be co-operation with the major trade and information centres that were being increasingly established in the advanced countries.

20. The Board had an important and specific duty concerning the co-ordination of the activities of the United Nations family in the field of industrial development. Moreover the creation of UNIDO had posed a number of questions which had to be regarded as regards its co-operation with other United Nations agencies dealing with industry. During the past year, bilateral discussions had been held with the Executive Heads of the ILO, UNESCO, FAO and WHO to clarify such questions and considerable progress had been achieved. Early in April UNIDO had signed a note of understanding with the ILO concerning co-operation in the fields of management and training, development institutes for specific industry branches,

small-scale industry and entrepreneurship, as well as manpower planning, and a similar note with UNESCO for co-operation in the field of standards and industrial specifications as well as science, technology and education. Further discussions should eventually lead to draft agreements, which in turn would be submitted to the Board and to the intergovernmental bodies of the other organizations for endorsement - possibly at the next session of the Board. The genuine spirit of co-operation prevailing in the various agencies should help to eliminate past overlapping and conflict.

21. Co-ordination with the Regional Commissions was also to be intensified and the services of a large number of regional industrial advisers were already being utilized jointly. UNIDO would also endeavour to develop co-operation with inter-governmental and non-governmental organizations, particularly those which had been granted consultative status with the Board.

22. The UNIDO budget proposals for 1969 provided for very limited increases above the level of 1968. When considering the proposed Regular Programme for 1969 (ID/B/26), the Board might also wish to consider the question of establishing guidelines for the utilization of funds under the Regular Programme. According to present estimates, all available funds under the SIS programme were likely to be fully obligated in 1969 and to ensure continuity of that highly effective programme replenishment by further voluntary contributions by Governments would be essential. In that connexion he would draw attention to document ID/B/30, dealing with voluntary contributions as a source of financing. Actually the financing situation was beset by many uncertainties due partly to the change in procedures under UNDP/TA and partly to divergences of views between members of the Board and the General Assembly. He felt that an organization that was new and essentially operational should have a greater degree of certainty with regard to its financial resources.

23. The apparent fragmentation of the programme of activities into seemingly separate projects reflected the multiplicity and complexity of industrial problems faced by the developing countries. However, UNIDO had developed coherent and general approaches in its programmes in the form of fifteen main areas in which the activities were presented to the Board, and in the form of the main procedures of action under field operations, promotion, co-ordination, research and studies,

and contacts; UNIDO was also reconciling two seemingly contradictory guidelines; the need for long-range planning and the need to respond to requests from the field.

24. UNIDO had approached its tasks on the basis of a fundamental though implicit concept that in every specific industrial activity there had to be a possibility of mutual benefit to the parties concerned and it was, therefore, intent on promoting co-operation between prospective parties.

25. The world had recently been passing through a period of political and economic difficulties. The latter in particular were bound to dim the immediate perspective of a substantial increase in aid and international assistance from rich countries to developing areas - an increase which was essential if accelerated economic development and industrialization were to be ensured. Notwithstanding those difficulties, it was hoped that international co-operation in the economic field would continue to grow, since the industrialized countries were fully aware of the economic, social and political problems posed by underdevelopment and of the necessity of avoiding a widening of the economic gap between the poor and rich countries that could endanger security and peace. It was in that long-range perspective of international solidarity and co-operation that the activities of UNIDO should be viewed.

26. The PRESIDENT proposed that the statement of the Executive Director should be considered a policy statement and issued as an official document of the Board.

27. It was so decided.^{1/}

28. Mr. ASHARI (Indonesia) deplored the fact that most of the developed countries had not fulfilled the expectation that they would contribute one per cent of their gross national income in assistance to developing countries. He recalled the recommendation made at the second United Nations Conference on Trade and Development and appealed to the economically advanced countries to reach the target set. A short fall in capital flow to developing areas could retard economic growth and thus worsen political and social conditions.

^{1/} The full text of the statement made by Mr. Abdel-Rahman has been issued as document ID/B/36.

29. At the International Symposium on Industrial Development recently held at Athens (ID/B/21) it had been found that progress in industrial development was still discouraging. The average rate of industrial growth (seven per cent) was by no means to be considered satisfactory because in the predominantly agricultural developing countries industry accounted for only a minor part of the national income. He therefore asked the Board carefully to study the recommendations adopted at the Symposium and to allocate priorities in the light of the limited resources at the disposal of UNIDO and the great expectations of member countries and thus make assistance more effective. Particular consideration should be given to the interrelation between agriculture and industry, and especially the food-production industry.
30. The results achieved at the second United Nations Conference on Trade and Development had unfortunately been limited and showed that a real policy for co-operation in development was still lacking, although the developed countries were showing a greater understanding of the problems confronting the developing countries. His delegation believed that the principles embodied in the Charter of Algiers represented a realistic common platform for the group of seventy-seven developing countries and should serve as a basis for international action.
31. The transformation of an agricultural economy into an industrial economy was a slow and difficult process, and its purpose would be defeated if new industrial projects were to face export problems in the future. The developed countries should adjust their own industrial structure so as to allow the developing countries to produce semi-processed and processed primary commodities and semi-manufactured and manufactured goods using indigenous raw materials.
32. Domestic savings in the developing countries were still very low and external financing was still inadequate.
33. Since UNIDO was limited in its annual budget it had to restrict itself to programmes mainly involving the human aspects, such as allocation of experts, rather than the material aspects of industrialization. His delegation felt that in 1968 and 1969 UNIDO should aim at widening the scope for self-help in the developing countries and at supervising bilateral programmes which should be carried out implemented by those countries themselves, to the extent of their means.

34. In that connexion, he wished to report on Indonesia's successful experience in organizing a Top-Management Consultation Seminar in East Java, in co-operation with UNIDO, on the recommendation of the Athens Symposium. Senior management personnel from forty leading industrial enterprises had been taught how to apply the most modern management techniques in solving Indonesia's pressing industrial problems. Indonesia had thus contributed directly to the efforts of UNIDO in the field of management development programmes.

35. He emphasized the need for greater co-ordination of the activities of the various United Nations specialized agencies affording assistance in the industrial field so as to eliminate confusion among the authorities of recipient countries. The same applied to regional United Nations bodies. He hoped that the stationing of UNIDO regional officers would help in that respect and noted that much progress had been achieved by ECAFE and the Asian Industrial Development Council in surveying and studying the various industries suitable for regional co-operation.

36. As regards the organizational problems of the UNIDO Secretariat, it was to be hoped that more extensive use would be made of personnel from developing countries. Although its financial contribution was limited, his Government was prepared to contribute to UNIDO's efforts both by providing staff members and experts and by making available facilities for conferences, workshops and the like.

37. At present Indonesia was undergoing a crucial period in its economy; the Government had set itself the objectives of ensuring political and economical stability. An economic rehabilitation and stabilization programme was being vigorously pursued to arrest monetary inflation. In the industrial sector, existing enterprises were being rehabilitated and projects awaiting completion were being stepped up. The emphasis in the rehabilitation period was being placed on industries relating to food production, exports, textiles and industries supporting the infrastructure of the country. Since external financing had proved insufficient for developing the natural resources of Indonesia, the Government was welcoming foreign capital investments as a means of complementing domestic capital and mobilizing it for productive purposes and it was also encouraging joint ventures in various sectors of the economy.

38. The industrialization of the developing countries, as an absolute prerequisite for raising the living standards of their people, was a huge undertaking that required convergent national and international measures. While primary responsibility lay with the developing countries themselves, their efforts must be assisted and complemented by international endeavours. UNIDO's work in directing such activities was thus of prime importance.

39. Mr. SINGH (India) said that his country had always supported initiatives which would strengthen the efforts of the United Nations Agencies in the field of economic development and it earnestly hoped that UNIDO would progressively be able to carry out its assigned task of promoting the industrialization of the developing countries by encouraging the mobilization of national and international resources.

40. The rate of growth of the economy of a country as a whole was substantially determined by the pace of industrialization. The fact that countries which had recently begun to develop had fallen behind the advanced nations of the world had created certain crucial problems. The developing countries lacked both the capital and the technical expertise to close the gap; however, the developed countries of the world were in a position to assist in making up the deficiencies.

41. There was a paramount need to co-ordinate the activities of the United Nations system of organizations in industry and to identify overlapping activities in the interests of more effective action. His delegation believed that effective co-ordination amounted to more than putting together a series of programmes initiated or assisted by a multitude of agencies; the co-ordinating agency - namely UNIDO - must have a clear scale of priorities together with the authority, subject to the usual consultation procedures, to ensure that the activities of the various agencies formed a coherent pattern. The Board should take the advantage of the present session to consider how best that could be achieved.

42. UNIDO, as a newly established organization, had a vital need to publicize its activities since effective action on a wide scale was often impeded by ignorance on the part of the recipient countries and it was encouraging to note that it had already taken several measures to overcome that initial difficulty. For example, agreement had been reached with the Administrator of UNDP with regard to the establishment of a UNIDO Field Service to be integrated with the

JNDP Field Office; UNIDO had sent out exploratory missions to investigate the overall requirements of certain countries; it had disseminated information regarding its procedures and programmes to developing countries and appointed interregional advisers; it has also set up an Industrial Promotion Service. Above all, UNIDO had organized the International Symposium at Athens in 1967, which had served as a clearing-house for information on vital issues of international co-operation in the field of industry. His country, for one, had benefited greatly from the discussions. One important recommendation made at the Symposium was that National Committees, composed of representatives of various States, public and private bodies concerned with industrialization, should be established. India had already established a National Committee which included, in addition to Government representatives, some of the leading industrialists in the country as well as representatives of organized labour. It was hoped that, through that Committee, close and continuous liaison would be established between trade and industry in India and the activities of UNIDO.

43. The amount of assistance obtained so far by India from UNIDO had been comparatively small. Owing to lack of adequate information on the activities of UNIDO that was in part due to a paucity of suitable proposals. India hoped shortly to submit some proposals which might be incorporated at least in the 1969 work programme of UNIDO.

44. Not only would his country look forward to receiving active and increasing assistance from UNIDO but it was also fortunately in a position to contribute in several ways to activities of UNIDO and, through it, to the economic development of sister countries. In the course of the past decade or more, India had built up a diversified industrial economy; several new lines of manufacture had been introduced and the capacity for building equipment for the establishment of a variety of industries had been acquired during that period. With such an industrial basis, together with the experience gained in the process of economic development, India was now in a position to help other developing countries to establish a number of industries, for example by providing equipment both for the production of consumer goods and for the strengthening of infrastructure facilities. India had also developed the capacity for manufacturing metallurgical equipment and could now make a significant contribution to the development of fertilizer and chemical industries in general and small-scale industries in particular.

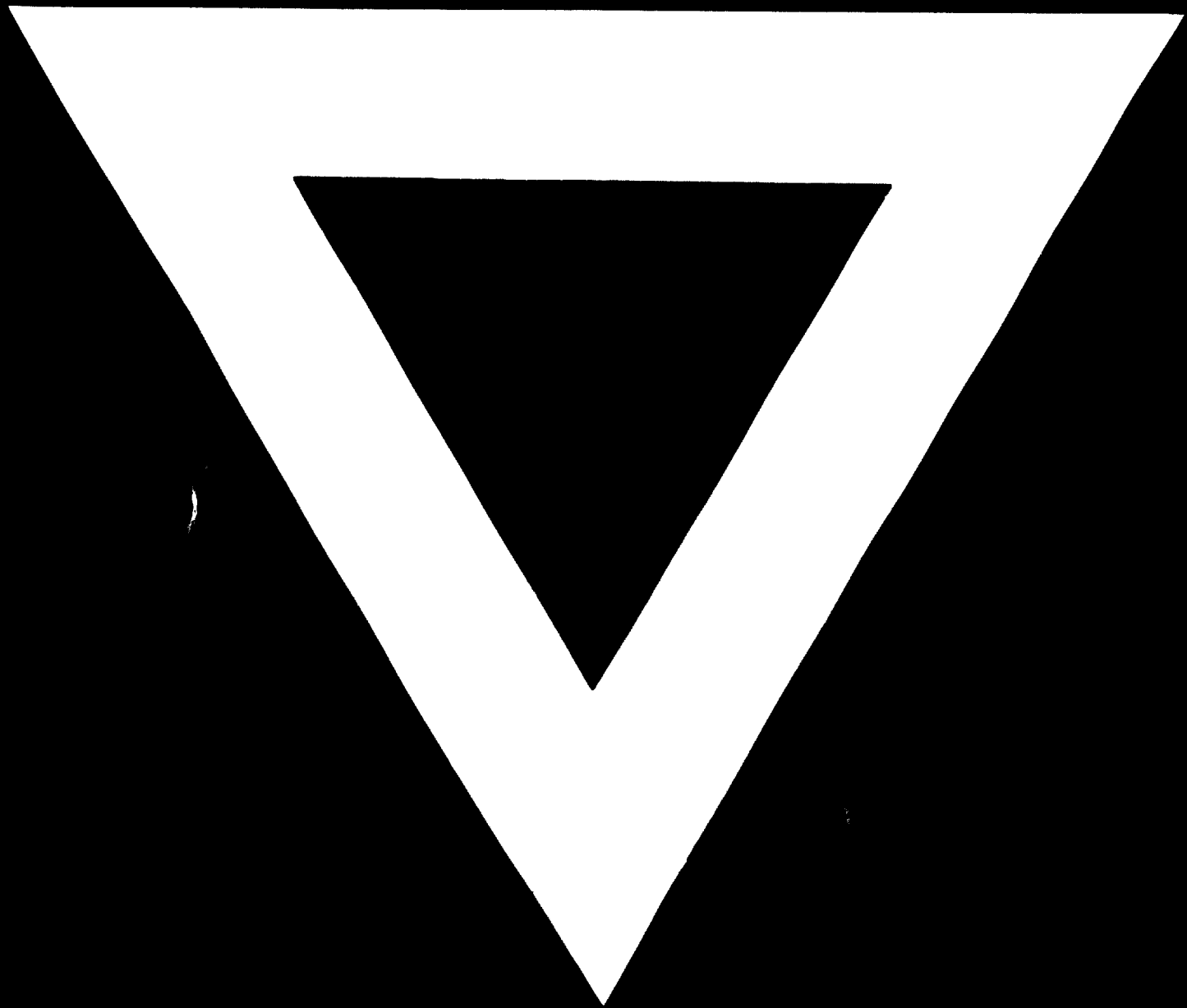
45. The availability of equipment was not in itself sufficient to meet the requirements of developing countries; they needed assistance in an integrated form inclusive of the design of the project, supply of equipment, construction, and training of operational personnel. India was prepared to take on such assignments as the transfer of technical information and knowledge, along with the supply of capital equipment. It could undertake the design and construction of a railway system or an integrated power network, as well as the design and construction of a textile mill or cement project. His Government was aware of the balance of payments problems of developing countries and would be prepared to extend credit facilities on a deferred payment basis in appropriate cases. His country also felt that there was considerable scope for collaborative effort in developing countries and would be happy to co-operate in setting up joint ventures.
46. In recent years India had also been making special efforts to develop indigenous expertise. There were now several institutions, both governmental and private, which were in a position to make their know-how and experience available to other developing countries.
47. India also felt that there was a need for more active encouragement of economic and trade collaboration between developing countries. The latter countries had been accustomed to look to the developed countries for capital, equipment, and specialized knowledge but there was now a large variety of economic activities in which collaboration between the developing countries themselves could perhaps be more fruitful and of greater mutual benefit. Transplantation of skills and technologies appropriate to a developed economy might often create problems in a developing economy and in such cases the experience of another developing country could often be rewarding.
48. The main handicap of UNIDO was that it had still to rely to a large extent on the regular programme of the United Nations and on the UNDP Special Fund projects for its finances. Although a few countries had come forward with voluntary contributions, such amounts were wholly inadequate. At its first session the Board had adopted a resolution to the effect that the Secretary-General of the United Nations should convene an annual pledging conference in accordance with section II, paragraph 23(a) of General Assembly resolution 2152 (XXI). There was no indication that further progress had been made in that regard.

49. He drew attention to the fact that the General Assembly resolution establishing the Industrial Development Board envisaged a close and continuous working relationship between UNIDO and the United Nations Conference on Trade and Development and went on to refer briefly to the results of the second Conference, which had been held in India. The Prime Minister of India, in her inaugural address, had expressed the widespread hope that the Conference would usher in a new and potentially decisive stage in continued pursuit of the objective of formulating and implementing new development-oriented trade and aid policies through the combined efforts of the international community. Although the results of the Conference had in some respects been disappointing, the tentative steps taken towards economic development were nevertheless significant.

50. Even such modest results depended for their effectiveness on the earnestness and speed with which they were implemented by the developed countries and by the international community as a whole. His Government felt that the success or failure of the second Conference on Trade and Development should be judged not so much by what had or had not been agreed upon, but by how soon the decisions taken were implemented. There could surely be no better proof of the international community's ability to cope in the years to come with the multitude of unsolved problems than the speed and success with which agreed decisions were carried out.

The meeting rose at 12 noon.





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