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United Nations Industrial Development Organization

INDUSTRIAL DEVELOPMENT BOARD

First Session

SUMMARY RECORD OF THE SEVENTH MEETING

Held at Headquarters, New York, on Friday; 14 April 1967; at 10.40 a.m.

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Organization of work

PRESENT:

President:	Mr. TELL	(Jordan)
later,	Mr. BRADLEY	(Argentina)
Rapporteur:	Mr. MBAYE	(Guinea)
Members:	Mr. VIDAL ETCHEVERRY	Argentina
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	Mr. NDIMBIE	Cameroon
	Mr. ABELL	Canada
	Mr. PINERA CARVALLO	Chile
	Mr. TURBAY-AYALA	Colombia
	Mr. INCHAUSTEGUI	Cuba
	Mr. MUZIK) Mr. ADAMEK)	Czechoslovakia
	Mr. SCHMIDT-HORIX	Federal Republic of Germany
	Mr. TORNQVIST	Finland
	Mr. GEORGE	France
	Mr. THERSON-COFIE	Ghana
	Mr. DIABATE	Guinea
	Mr. GUPTA) Mr. CHADHA)	India
	Mr. KAMIL	Indonesia
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	Mr. ABE	Japan
	Mr. SAAD	Jordan
	Mr. CHAMMAS	Kuwait
	Mr. LUBBERS) Mr. BODDENG HOSANG)	Netherl ands
	Mr. ASIODU	Nigeria.
	Mr. SULAIMAN	Pakistan
	Mr. FERNANDINI	Feru

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PRESENT	(cont	inued):
Men	bers	(continued

Members (continued):	Mr. RODRIGUEZ	Philippines
	Mr. DUMITERESCU	Romania
	Mr. RYABONYENDE	Rwanda
	Mr. WARSAMA	Somalia
	Mr. GALAN	S pai n
	Mr. HULTNER	Sweden
	Mr. DAHINDEN	Switzerland
	Mr. BARPUYAWART	Thailand
	Mr. ARCHIBALD	Trinidad and Tobago
	Mr. CUHRUK	Turkey
	Mr. ANANICHEV) Mr. Kasatkin)	Union of Soviet Socialist Republics
	Mr. SALAMA	United Arab Republic
	Sir Edward WARNER) Mr. FRYER) Mr. LEACH)	United Kingdom of Great Britain and Northern Ireland
	Mr. KOTSCHNIG) Mr. BLAU)	United States of America
	Mr. MONTERO	Uruguay
	Mr. SIKALUMBI	Zambia
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	Mr. RAHMANI	Algeria
	Mr. FU	China
		Citting
	Mr. MULONGO	Congo (Democratic Republic of)
	Mr. MULONGO Mr. Olsen	
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	Mr. OLSEN	Congo (Democratic Republic of) Denmark
	Mr. OLSEN Mr. SUBERO	Congo (Democratic Republic of) Denmark Dominican Republic
	Mr. OLSEN Mr. SUBERO Mr. COLLAS	Congo (Democratic Republic of) Denmark Dominican Republic Greece
	Mr. OLSEN Mr. SUBERO Mr. COLLAS Mr. ENDREFFY	Congo (Democratic Republic of) Denmark Dominican Republic Greece Hungary
	Mr. OLSEN Mr. SUBERO Mr. COLLAS Mr. ENDREFFY Mr. ALI Mr. SHAI Mr. CRAIG	Congo (Democratic Republic of) Denmark Dominican Republic Greece Hungary Iraq
	Mr. OLSEN Mr. SUBERO Mr. COLLAS Mr. ENDREFFY Mr. ALI Mr. SHAI Mr. CRAIG Mr. THOMAS	Congo (Democratic Republic of) Denmark Dominican Republic Greece Hungary Iraq Israel
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PRESENT (continued): Observers for Member States (continued): Mr. SVENNEVIG Norway Mr. NETEMAL Foland Mr. CISS Senegal South Africa Mr. van NIEKERK Mr. ELU Togo Mr. LAVCEVIC Yugoslavia hepresentatives of specialized agencies: International Labour Organisation Mr. AMMAR Mr. WCODWARD Food and Agriculture Organization of the United Nations Mrs. THCMAS United Nations Educational. Scientific and Cultural Organization Mr. FERINEAM International Bank for Reconstruction and Development Mrs. KAIM World Health Organization Representative of the International Atomic Energy Agency: Mr. NAJAR Representative of the General Agreement on Tariffs and Trade: Mr. HORTLING Representatives of other United Nations bodies: Mr. HARLAND United Nations Development Programme Mr. ABDEL--RAFMAN Executive Director, United Secretariat: Nations Industrial Development Organization Mr. QUIJANO CABALLERO Director, Technical Co-operation Division Director, Industrial Policies Mr. SINGER and Programming Division United Nations Conference on Mr. MULLER Trade and Development Mr. LACHMANN Chief, Fiscal and Financial Branch, Department of Economic and Social Affairs Mr. SYLLA Secretary of the Board

FUTURE PROGRAMME OF WORK AND ACTIVITIES OF UNIDO (ID/B/4 and Corr.1-3, ID/B/8 and Add.1 and Add.1/Corr.1, ID/B/9, ID/B/10, ID/B/11; ID/B/L.1, ID/B/L.2, ID/B/L.3) (continued)

<u>Mr. TORNQVIST</u> (Finland) said that only a few decades previously the agrarian proportion of the total Finnish population had been 60 per cent; it was now 20 per cent and was likely to be reduced to 7-8 per cent in fifteen years or so. Those figures showed that Finland had been able to industrialize and that it intended to continue rapid industrialization. They did not imply, however, that the Government, which had no clear plan for industrialization, knew how to achieve such a target. The same was no doubt true of other market economies, in which the establishment of new industries depended almost entirely on the private sector. Consequently, the Governments of countries with limited resources must direct their efforts primarily towards infra-structural development and towards creating conditions in which industries could grow, rationalize and be competitive on the world market. Those problems did not affect only developing countries, and if UNIDO did not realize the facts the policies it adopted might be wrong.

Industrialization must take into account not only agriculture, exports, balance of payments, the skill of manpower and technology, but also the financial implications of any plan. He would point out to those who had suggested reducing research work for the benefit of more operational activities that in fact no good study of the intricate problems of industrialization had yet been produced. Thus, there was no way of knowing what surveys should be made before an industrial project was launched or how the economic pattern influenced the different aspects of industrialization. Such a study should show how efforts should be timed and how the financial implications of all the activities must be co-ordinated. The Executive Director had therefore been quite correct in stating that research work and even abstract studies would be needed, in order to prepare for operational activities and be able to give the best advice to recipient Governments. In spite of that, UNIDO activities on the whole should be as much as possible actionoriented. The Board itself must share that concern for effectiveness, and he noted with satisfaction that the Executive Director had asked the Board to express its views on the kind of reporting pattern it wanted. In any event, all reports and other documentation must be in the hands of delegations several weeks in

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(<u>Mr. Tornqvist, Finland</u>)

advance. In addition, the Board must know the views of the Executive Director and of the secretariat on the future work of UNITC. It was very difficult to obtain from the documents thus far circulated a clear picture of the financial implications, the priorities, and especially the intentions in respect of the future work of the organization. The Board should therefore have before it at its next session a first indicative programme budget. If it was to organize and direct its work as it wanted, however, the Poard would need a long-term budget plan - covering, say, a period of four years. The Board should also have before it every year a programme budget, which it could perhaps discuss even before it went to the other levels of the United Nations for approval. The programme budgeting must be left to experts, since the Board could not do it during its sessions.

The Executive Director had referred to the different steps in the activities of UNIEC, all of which, beginning with the first step (the formulation of requests), should be considered by the Board. The Executive Director had also mentioned a few examples of direct co-operation and collaboration, through missions, between the UNIEC staff and Governments, which he had indicated would result in new requests and new projects. That would probably be the best way of making the organization more action-oriented.

More action and more field work by experts on chemical production, production of fertilizers, textiles, and so forth, did not automatically lead to the establishment of new industries. There must also be a Government willing and financially prepared to execute plans for that purpose. The plans must contain ecmprehensive information on the Government's own intentions and on the money that eculd be channelled to the activities in question from both demestic and external sources. That also meant co-operation with the Minister of Finance and the budgetary authorites of the country concerned. In other words, there was a need for thorough studies of each project, ending up with the budgetary implications betr for the United Eations and for the Governments concerned.

<u>Mr. OCHMIL/T-HOBIX</u> (Federal Republic of Germany) said that he was impressed by the quality of the documentation prepared by the secretariat, which shave as subject complete picture of what had been done within the United Nations for here it the field of industrial development. That his delegation would have

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(<u>Mr. Schmidt-Horix, Federal</u> Republic of Germany)

liked to have, however, was a document containing concrete proposals on how the Board could fulfil the tasks committed to it by the General Assembly in its resolution 2152 (XXI), and more particularly in paragraph 27 of that resolution.

The members of the Board, who were all civil servants, were quite aware of the difficulties of achieving effective co-ordination. Industrialization involved an immense variety of activities which could not all be carried out by UNIDO. Promoting and facilitating the co-ordination of all United Nations activities in the field of industrial development did not, of course, mean transferring all of them to UNIDO, especially as they had been satisfactorily performed in the past by the other agencies concerned. That would lead to overburdening the new organization. Nevertheless, there was a certain danger of overlapping and duplication which must not be overlooked.

The Board could not leave it entirely to the Secretariat to negotiate the necessary co-operation agreements. It might perhaps be useful for the Board to examine such agreements beforehand and to give the secretariat some guidance on how the negotiations should be conducted in the future.

As to the programme of work of UNIDO, the functions of UNIDO as set out in the relevant General Assembly resolution clearly indicated the change in the priority of activities as between UNIDO and the Centre for Industrial Development. He wished in his turn to stress the importance of intensifying the operational activities of UNIDO. In order to ensure that the available funds were spent in the most effective way, the activities of UNIDO must be undertaken mainly in response to the requests of the developing countries rather than on the initiative of the secretariat. UNIDO must not be content to co-operate with other organizations in the United Nations family but must also try to get in contact with private investors and arouse their interest in the implementation of projects set up with the help of UMIDO. The Government of the Federal Republic of Germany had kept the industrial associations informed of the activities contemplated by UNIDO, and those activities had met with considerable interest in the private sector. UNIDO should concentrate its activities on the establishment of small-scale industries, which were particularly well adapted to the limited markets of some of the developing countries and could produce consumer goods to replace imports for which foreign currency would otherwise

(<u>Mr. Schmidt-Horix, Federal</u> <u>Republic of Germeny</u>

be needed. The new organization should co-operate closely with the various regional and national development banks, which were a very important factor in premoting industrialization and were being given a considerable amount of aid by his Government. UNILC should also assist the developing countries in harmonizing their development plans and should co-operate in that respect with the regional economic commissions. His Government sometimes received requests to grant financial aid or to guarantee a private loan for the establishment of industries whose output was intended for export to neighbouring countries, which unfortunately had the same idea themselves.

He concluded by suggesting that the advisory services contemplated in operative paragraph 5 of Economic and Social Council resolution 1183 (XLI) should be set up within the framework of UNIDO.

Mr.ABELL (Canada) said that the purpose of UNIDO was to facilitate and accelerate the industrialization of developing countries. That was a simple objective of increasing industrialization to bring about human progress and included progress in agriculture, since industrialization as a whole was inconceivable without technological progress in agriculture to free resources of monpower for other pursuits. Since industrialization was the method by which it was hoped to achieve human progress that meant that all work and actions of the Board and Secretariat must be examined in that light and must in that sense be "action-oriented". He endorsed the remarks by the representatives of Jordan, the Netherlands and United States regarding the need for emphasis on achieving an action-oriented organization. He referred to the complexity of the industrialization process as roted in the Executive Director's address to the Board, but commented that concern with complexity must not be allowed to frustrate the will to action.

He noted that while the purpose of UNIDO was simple, namely industrialization, the task was difficult. That was because the process involved a great variety of techniques applied in many countries and in many situations. That was why it was imperative for the Secretariat to provide the Board with reliable and concise d cumentary material and especially budgetary data since those were the provide the priorities established. He pointed out that as the curent child of the United Nations family, UNIEO would need to draw heavily on

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ID/B/SR.7 English Page 9 (Mr. Abell, Canada)

the accumulated knowledge and experience of its sister organizations. Also as the youngest child, it would require guidance and concern on the part of the Board and the continuing devotion of the Secretariat.

But given that guidance and concern and a concentration on a limited range of objectives, UNIDO could become an increasingly effective instrument in human progress.

<u>Mr. SALAMA</u> (United Arab Republic) expressed surprise that most of the criticism addressed to the document concerning the programme of work was emanating precisely from those delegations that had been largely instrumental in confining the activities of the Centre for Industrial Development to research, to the deteriment of operational activities. Research must not, however, be neglected by UNIDO but must, on the contrary, be encouraged as a means of support for operational activities. He did not believe, as did some delegations, that it was necessary to set up a sort of standard industrialization scheme that would be limited to certain industries and would be applicable to all the developing countries. As the resources of the developing countries were vast and varied, their scientific and economical utilization should be based on heavy industry or light industry, according to the circumstances, and should take account of the conditions and particular needs of those countries.

His delegation did not, on the other hand, believe that UNILO was able, at least at the present stage, to undertake the numerous activities enumerated in General Assembly resolution 2152 (XXI). It was therefore for the Board to select several priority fields within which the Executive Director and his staff would be able to set up a specific programme.

One of such fields might, for example, be that set out in operative paragraph 2 (v) of resolution 2152 ($\ddot{x}XI$). UNIDO should undertake to provide the advice and the technical information required in such matters as planning, programming, project evaluation, negotiation of contracts. standardization and marketing. It should also try to harmonize and co-ordinate the various forms of co-operation in the field of industrial development.

In the second place, the type of activity indicated in paragraph 2 (xi) of the same resolution should also be provided for. The encouragement of investments in industry was of prime importance for the developing countries, for only in that

(Mr. Salama, United Arab Republic)

way would they be able to remedy their lack of capital equipment and to close to some extent the technological gap between them and the developed countries. UNIDO should also co-operate with the development banks in the developing regions, as such banks could effectively assist the industrialization process.

The third priority area might be the implementation and continuation of the industrial projects and programmes, that being a matter which raised many problems for the developing countries.

Assistance should also be provided to the developing countries in order to enable them to overcome difficulties in regard to the transfer of technology and jatents.

The suggestions regarding the future programme of work that were put forward during the discussion could be nothing more than guidelines which might eventually be given the form of a detailed programme by the Executive Director and his staff, who could, if the need arose, elicit the aid of a group of experts. Also, a questionnaire could be circulated to the Member States for the purpose of determining what priority areas should be incorporated in the programme.

With regard to co-ordination, the United Nations bodies concerned in some way with industrial development should consider the possibility of carrying out their industrial development activities within the framework of a central programme drawn up by UNIDO in consultation and agreement with all parties concerned. The central co-ordinating function assigned to it in its terms of reference must not give rise to the fear that it might encroach on the fields of competence of the other bodies; that function must be regarded rather as a means of improving the efficiency of the entire system in so far as industrial development was concerned.

The Frogramme of Special Industrial Services was regarded by his delegation as a very useful endeavour; it felt, however, that the machinery of that programme should be reviewed. It was also imperative to establish a basis for future relations between UNDF and UNIDO. Although there had been much talk about actionoriented programmes, those programmes could not be effective unless the financial autonemy of UNIIC was ensured.

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

Mr. INCHAUSTEGUI (Cuba) said he was pleased to note that the delegations which had spoken thus far had emphasized the need for concentrating on operational

(<u>Mr. Inchaustegui, Cuba</u>)

activities and attenuating the trend towards bureaucracy and towards studies and theoretical research.

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The industrial backwardness of the developing countries was not due to any alleged inferiority of the people of those countries but was rather the consequence of centuries of colonial and neo-colonial exploitation. There would be no advantage in mechanically transplanting equipment and technologies to those countries, even if that were possible, while archaic structures of exploitation remained intact. The prerequisite for development was to break the bonds of economic dependence and destroy the vestiges of the colonial and neo-colonial era. As had been brought out by the Tricontinental Conference of Havana, national control of basic natural resources, nationalization of the banks and enterprises vital to the national economy, State control of foreign trade and foreign exchange, and the growth of the public sector were vital instruments for accelerating economic development. Countries must be the masters of their resources if any progress was to be possible along those lines, and only when that had been accomplished, could there be any positive and useful kind of international co-operation. It would be fruitless and dangerous to attempt to apply automatically those development methods and procedures that were based on the experience of the developed countries. In particular, the transfer of technology and the installation of industrial plants must take into account the particular situation of the developing countries. The main effort to accelerate the industrialization process must come from those countries.

His country would not want the present discussion to encourage the false hope in the peoples of the developing countries that the international agencies would be able to solve their development problems by some kind of magic formula. It also objected to the argument that private investment, especially if of foreign origin, promoted industrial development, for no one could be unaware of the selfish interests and harmful influence of foreign companies. UNIDO must direct its aid towards the public sector. His delegation agreed with the Executive Director that a special priority should be given to those industries which were based on agriculture or which supported or contributed to it; priority treatment should also be given to those industries whose raw materials were the mineral resources of the developing countries. Referring to the United States representative's proposal that ID R.C., onglish Fage 1. (Mr. Inchausterni, (uba)

UNITE checklic furnishe and to the industries which contributed to the modernization of agriculture, and to the fertilizer industry in particular, he said that, if the proposal did not include a provise that the developed countries would not interfere in the transactions of the under-developed countries for the purchase of such equipment, the Suban delegation would ask the Industrial Development Poard to include such a provise in the proposal.

<u>Mr. THERDON-COFIE</u> (Ghana) said that he had welcomed the statement by the United states representative that the United States Government was ready to support and aid UNIDO. He had also taken note of the Japanese delegation's constructive views regarding the programme of work. As levels of development and conditions varied from country to country, the activities of UNIDO should be directed to specific and concrete areas. Assistance might in particular be provided for the training of staff employed by the national departments and agencies responsible for industrial development.

<u>Mr. SULAIMAN</u> (Bakistan) said that if UNIX was to play a central co-ordinating role, as provided in General Assembly resolution 2152 (XXI), it must not attempt to supervice the activities of other organizations which devoted a substantial portion of their resources to industrial development. His delegation also recognized that primary responsibility in the matter of industrial development rested with the developing countries themselves. However, the measures they had taken in that regard were no longer sufficient to ensure them an adequate rate of economic growth, and concerted international action was essential. He also agreed with the Nigerian representative that UNIEC's primary function was to uncover the obstacles to development which very often hampered the implementation of projects.

It was obvious that UNITE must be an action-oriented organization; however, difficulties arose when an effort was made to determine what practical measures were needed, and it would be useful for the Board to give careful study to the or them, which had to be dealt with and solved. He wished to observe, in that is unexled, that even though the organization's main work was to be of a practical output, it should not neglest the field of research and study.

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(Mr. Sulaiman, Pakistan)

through document $ID_{\ell}B/L.1$, that UNIDO's secretariat did not include a single national of Fakistan. Since the problems of the developing countries varied in accordance with their level of economic growth, he felt that it would be useful to study the problems which the highly industrialized countries had faced, to see how they had solved them and to draw the proper conclusions. In that connexion, there did not appear to be complete agreement on priority problems. Some felt that the greatest need was to define the projects to be undertaken, while others, including Fakistan, were led by their own experience to believe that the primary problem was the lack of foreign exchange. It was the task of UNIDO to assist the countries concerned in determining the actual nature of their difficulties.

Fakistan had applied, within the framework of its five-year plan, the methods recommended by the United States representative. They had proved fruitful but insufficient to maintain the rate of economic growth at a satisfactory level in view of the absence of new sources of financing. The developing countries were in a critical position, since the principle donor countries were, for reasons that were sometimes quite understandable, showing signs of weariness. In that connexion, he feit that in order to ensure that the industrial development of the various countries concerned proceeded at a steady pace, UNIDO should undertake a study for the purpose of assembling information on those countries' needs. Some countries, for example, had a very heavy debt charge, and UNIDO could study the possibility of their repaying leans and credits through commodity exports.

Mr. Tell (Jordan) resumed the Chair.

<u>Mr. GALAN</u> (Spain) said that there was ample justification for UNIDO's existence. Only through a sustained effort of international co-operation - an effort in which his Government was prepared to take part - would it be possible to achieve substantial progress in industrial development. Countries that wished to increase their national product had no choice but to promote the growth of the industrial sector. In Spain, for example, the development achieved in recent years had been accompanied by a parallel increase in industrial output and a decline in the farm population. That process of course called for a substantial effort on the part of the developing countries, and it was UNIDO's task to assist them. The Hoard must endeavour, at its first session, to work out means by which the creanization would be able to make the best possible use of its limited resources.

(<u>Mr. Galan, Spain</u>)

In that connexion, he felt that there were four areas in which UNIDO could do constructive work.

First of all. it could assist in training the necessary personnel, making use of existing organizations for the purpose. Its tasks in that regard would be essentially one of providing information and ensuring co-ordination and would require little expenditure. The industries which were being created had to bear the substantial costs of feasibility studies, technical designing, installation and the utilization of patents. That was true of most of the industries which were being created in the developing countries, and UNIDO should attempt to standardize the contracts which those countries concluded with research firms and patentholders and arrange for part of the cost to be assumed by agencies in the countries which exported technology. Otherwise, it would be unable to exercise any influence in the vast field of the transfer of know-how. With regard to the problem of financing, UNIDO could play a constructive role by attempting to induce the International Finance Corporation, for example, to effect a substantial expansion of its operations. Finally, it could draw upon the experience acquired by various countries with regard to industrial taxation, credit institutions, the promotion of investment, regional industrialization, etc.

He wished to state in conclusion that it was by co-ordinating requests for and offers of assistance that UNIDO could best help to translate into reality the statements of intention which had accompanied the establishment of the organization.

<u>Mr. SIKALUMBI</u> (Zambia) observed that, long before the establishment of UNIDO, the developing countries had had surges of hope. The Development Decade had held out the prospect of an annual growth rate of 5-6 per cent in gross national product, an increase in their share in world trade and more favourable terms of trade. Unfortunately, not all those aims had been achieved, and not even the United Nations Conference on Trade and Development had brought about a more just and rational economic order.

The very establishment of UNIDO was a reminder that previous efforts had not been altogether successful. The gap between the developing and the developed countries was widening and the latter seemed to have lost the desire to close that solved, the levelling off in the flow of aid, the downturn in commodity prices and the levelling off were checking the entire process of development. He

(Mr. Sikalumbi, Zambia)

therefore hoped that UNIDO would be an action-oriented organization and would devote itself to practical work. While there would inevitably be research, it should be directed primarily towards the implementation of specific projects.

Under General Assembly resolution 2159 (XXI), much of UNIDO's work was to be in the field of technical assistance. He wished to point out, in that connexion, that because of certain special circumstances his country was greatly interested in receiving technical assistance in all forms so that it would not be too dependent on unfriendly neighbours.

He felt that there should be an organized flow of know-how, and that, with imagination, it should be possible to resolve the difficulties of recruiting personnel. He also hoped that UNIDO would act more expeditiously, than CID in carrying out the necessary feasibility studies.

According to paragraph 7 (e) of resolution 2152 (XXI), one of UNIDO's functions would be to review and facilitate the co-ordination of activities within the United Nations system in the field of industrial development. He would like some clarification concerning that co-ordinating role.

In conclusion, he urged that the organization should be given sufficient funds to become truly functional; the generosity shown by the Austrian Government should provide an example in that regard.

ORGANIZATION OF WORK

The PRESIDENT announced that the officers of the Board had prepared a time-table for consideration of the remaining items on the agenda (Conference Room Faper No. 3).

After an exchange of views among <u>Mr. KASATKIN</u> (Union of Soviet Socialist Republics), <u>Sir Edward WARNER</u> (United Kingdom), <u>Mr. MUZIK</u> (Czechoslovakia), <u>Mr. PATRIOTA</u> (Brazil), <u>Mr. FERNANDINI</u> (Peru) and <u>Mr. BARPUYAWART</u> (Thailand), <u>the</u> <u>PRESIDENT</u> suggested that consideration of the time-table of work should be continued at a later meeting.

It was so decided.

The meeting rose at 1.35 p.m.



