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UNDP/UNIDO AGENCY REVIEW MEETING

(Vienna, 10-11 June 1969)

MINUTES OF THE MEETING HELD ON TUESDAY, 10 JUNE 1969, AT 3 P.M.

Mr. Quijano-Cabellero (UNIDO) summarizing the discussions of the morning session welcomed the indication given by Mr. Paul-Marc Henry that the working relationship between UNIDO and UNDP would become more flexible in future. The greater flexibility foreseen would undoubtedly represent a great improvement, and it was encouraging to know that UNIDO could now start a new approach regarding training which would help to complement projects in other sectors. Although the funds available for training under the regular programme were modest, UNIDO could now start thinking about training personnel in advance for Special Fund projects which were still being worked out, and even in the unlikely event of those projects eventually falling through, the money thus spent would not have been spent in vain, as training was always an asset to the personnel trained and to the country in which they would later work. As far as projects for small-scale plants were concerned, hasty decisions to plunge into seemingly attractive projects should be avoided, and the real interest of the project to the country concerned must be considered in detail on the basis of thorough feasibility studies. As far as maintenance centres were concerned, UNIDO fully realized that, as UNDP had pointed out, it must co-ordinate its activities in that field with those of other agencies. Finally, it was generally felt that the UNIDO field advisers could provide extremely valuable advice and assistance regarding the formulation of technical assistance projects in conjunction with the Resident Representatives.

id.69-3081

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.

TECHNICAL ASSISTANCE PROGRAMMING, COUNTRY, REGIONAL AND INTERREGIONAL PROJECTS

A representative of the Technical Co-operation Division reviewed the position of Technical Assistance Programmes. As at 31 May 1969, there were 104 approved projects of a total cost of 1.9 million dollars, involving 113 experts and 128 fellowships. In addition, there were 34 pending projects representing commitments of 300,000 dollars and 21 projects in the pipeline representing another 300,000 dollars. By the end of the year, it was expected that the total value of approved projects would amount to 2.5-3 million dollars. The new procedure for continuous programming has worked very well in practice, and the present structure of the Technical Assistance programme was that 70 per cent of the projects were continuing projects, 20 per cent had been started either under SIS or the UNIDO Regular Programme, and 10 per cent were new projects. In 1969, a total of 14 regional and interregional projects have been approved. The UNDP allocation for 1970 had originally been 496,000 dollars, but that figure had now been reduced, for reasons not known to UNIDO, to 400,000 dollars as against expressed needs amounting to 3 million dollars. It did not appear that UNIDO was among the agencies who had recently been allocated an additional 1 per cent for their regional and interregional activities. For 1970 UNIDO had some 70 projects before it for consideration, and possibly only 12 of those would be approved. This was a modest number as already stressed by the Executive Director at the last IACB meeting. It was sincerely hoped that UNIDO would indeed benefit by the extra 1 per cent foreseen, so that it could add a few projects.

Mr. John Olnier (UNDP) indicated that he will inform UNIDO of the criteria followed by UNDP to allocate the 1 per cent additional allocation to small agencies for regional and interregional projects.

Mr. Paul-Marc Henry (UNDP) said that, as UNIDO was aware, 1970 would be the last year of operation under the present system, so he wished to ask UNIDO to bear with that system for the time being. He hoped that it would indeed be possible for UNDP to increase UNIDO's participation by the 1 per cent envisaged.

Mr. Harland (UNDP) said that UNDP was having to do a great deal of work on harmonizing the different components within given projects, and he appealed to UNIDO to look into that matter more closely than had perhaps been the case in the past. In respect of one African country, for example, UNDP had received requests for 22 technical assistance experts, plus requests for fellowships and other assistance in the industrial field. On examination, the requests in question had actually proved to consist basically of three different components, and UNDP had therefore proposed that it be consolidated into two or three separate Special Fund projects.

Mr. Quijano-Caballero (UNIDO) said that UNIDO continuously sought a balanced utilization of funds, including voluntary contributions, and when UNIDO had before it a large number of requests at the same time, it tried to secure better project breakdown and co-ordination.

Mr. Abdel-Rahman (Executive Director, UNIDO) said that he wished to remove any misconception which might exist that UNIDO's use of selected experts represented any change in its relations in the field with UNDP. There was, in fact, no change whatever in those relations: the UNDP Resident Representatives remained UNIDO's channel of communication. UNIDO's use of its advisers merely represented an added link between the field staff and the UNIDO headquarters. UNIDO had no desire to bypass the present established channel of communication between UNIDO and UNDP.

SPECIAL INDUSTRIAL SERVICES

Mr. Quijano-Caballero (UNIDO) reviewed the situation regarding SIS projects. Eighteen projects costing some 342,000 dollars were pending with UNDP for approval, while 71 projects involving some 1.1 million dollars were in the pipeline. Of those 71 projects, 52 (most of them received in May 1969) were being processed by UNIDO, and 16 were with governments for clarification. The funds which were still available to UNIDO for SIS purposes amounted to only some 378,000 dollars, and as the average monthly commitment was about 200,000 dollars, that sum represented only about eight weeks' operations.

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Mr. Oliver (UNDP) wondered what commitment rate should be suggested to the UNDP Governing Council. It appeared that a figure of about 3 million dollars might be a reasonable one to suggest to the Governing Council as a start.

Mr. Quijano-Caballero (UNIDO) said that UNIDO had had to limit its commitments very sharply in the past year because of shortage of funds. Taking the experience of the programme since its inception he felt that a commitment rate of at least 4 million dollars more in order.

Mr. Abdel-Rahman (Executive Director, UNIDO) said that he was not happy with the present rate of implementation of SIS projects. As far as the commitment rate was concerned, he felt that UNIDO should be candid with the UNDP Governing Council and should state that while present programme obligations represented an annual commitment of about 3 million dollars, it was likely, in view of the way the programme was developing, that the rate would be closer to 4 million dollars per year in the near future.

Mr. Oliver (UNDP) said that he felt it would be better to make a straightforward suggestion to the Governing Council that the commitment rate should be fixed at 4 million dollars.

Mr. Nagelstein (UNDP) said that he was most impressed by UNIDO's arrangements for hiring consultants under the SIS system, and he wondered whether the system might not perhaps be used to a greater extent.

Mr. Paul-Marc Henry (UNDP) pointed out that initially the SIS system had been supported by only a few countries, and indeed the number of contributors had not really increased since the beginning. The SIS funds were really, therefore, separate from normal funds. Moreover, the success of the SIS system had aroused the envy of other agencies. It must be made clear that SIS existed for a specific purpose and was not simply just another way of mobilizing personnel and funds. As far as feasibility studies were concerned, UNDP hoped that it would be possible to bring about the execution of really thorough studies which led to the preparation of a document on the basis of which a clear decision could be taken as to whether to

proceed with a project or not. Where, however, was the line to be drawn between SIS missions proper and other missions? It might well be found, in some cases, that certain SIS projects were really feasibility studies. It was necessary to make a careful analysis of SIS activities in order to bring out their special nature and show that they were basically activities of the consultancy type. It was essential to place a really clear picture of the work of the SIS system before the Governing Council.

Mr. Abdel-Rahman (Executive Director, UNIDO) said that, as he understood the position, UNDP wanted to draw a distinction between SIS activities proper and feasibility studies, so as to show why more money was needed to finance the latter. In some cases, such as those where a country received a project from abroad and wanted advice on whether it was feasible or not, small-scale feasibility studies could well be pure SIS projects, but of course where large-scale, profound and detailed feasibility studies were required, they naturally came outside the scope of the SIS system.

Mr. Olver (UNDP) said that UNDP had tried to prepare an integrated approach to the Governing Council over the 10 million dollars revolving fund, and it would now be rather difficult to ask the Governing Council to authorize a special compartment of 2 million dollars or so for SIS-type services.

Mr. Paul-Marc Henry (UNDP) said that FAO actually already had an SIS-type system at its disposal for preparing what it loosely called feasibility studies, but which were actually pre-feasibility studies. UNIDO, FAO, the United Nations itself and the World Bank all carried out feasibility studies of various types, but in his view a real feasibility study was one that allowed a prospective investor to take a confident decision whether to invest or not.

Mr. Abdel-Rahman (Executive Director, UNIDO) said that in his view the important thing was not the exact category in which SIS services were to be placed, but preserving the SIS system, which had proved a valuable instrument and urgently needed service.

SPECIAL FUND PIPELINE (GENERAL)

A representative of the Technical Co-operation Division reviewed the situation regarding the Special Fund pipeline. In effect, UNIDO was now using the pipeline as a means of forward planning, qualitatively as well as quantitatively. There were three stages in this planning: the advance information stage, the stage when the project had been drafted and was being discussed with the governments concerned, and the stage where the project had been submitted officially. At the end of May 1969, there were 68 projects in the Special Fund pipeline: 35 of them in the first stage, nine in the second stage and 24 in the third. UNIDO was trying to build the pipeline up and improve it as regards the geographical distribution and field of activity of the projects in it. A series of discussions were now beginning to that end. UNIDO found that there was at present a good deal of wastage at stage three of the project processing, indicating that better project formulation was required. Joint programming with governments, however, although highly desirable, taxed UNIDO's resources very heavily. UNIDO wanted to keep an average of about 35 projects in the last stage of the preparation process, with particular emphasis on projects in under-represented fields of activities and geographical regions, and it also wished to increase its inter-agency co-operation.

REVIEW OF CURRENT PROJECTS AND THOSE UNDER ACTIVE CONSIDERATION: ASIA

Mr. Siddiqui (Chief of the Section for Asia in the Technical Co-operation Division) gave details of the current projects in Asia and drew attention to certain specific points. Referring to the Special Fund sector operational project he said that a joint UNDP/UNIDO mission was sent to Thailand in February of this year and had concluded: (i) that the Technical Research Institute had been a success and was on the threshold of making very substantial contribution to the industrial development of the country; (ii) that responsibility for the operation of the project could be handed over to the Thai authorities; (iii) that the Thai Government should provide strong management to the institute and ensure its co-ordination with other interested Government agencies; (iv) that subject to the above arrangements no continued presence of UNIDO/UNDP was necessary.

The second operational Special Fund Project - Pakistan 26 "Pre-investment Studies for Promotion of Fertilizers and Petrochemical Industries" had a delayed start but has not entered the final stage in which detailed feasibility studies were being prepared through consultants. The Special Fund Project in India had only become operational in January. The plan of operation was signed on 23 April 1969 but the project manager has done a lot of preliminary work including training courses and ascertaining the design requirements of the manufacturers of electrical measuring instruments. Progress on Iran 16 "Research Centre for Industrial and Trade Development" was satisfactory. Feasibility and evaluation studies were being carried out and a master-plan for industrial development was being prepared. The only point causing concern was that the Government was not making use of fellowships as rapidly as it should and UNIDO was pressing it to start training as soon as possible. As regards IRAN 11 "Establishment of the Industrial Estate of Ahwaz", the previous difficulties have been practically overcome. The project manager has left and a senior UNIDO staff member was holding the acting charge of project manager. Efforts are being made to recruit a whole-time project manager. Seven out of the 15 factories have been occupied and 6 were rented out. Arrangements are in hand for letting out the remaining two. The Supplementary Assistance to the Project has been approved extending the objectives of the Project to rendering advice on the entire problem of small-scale industries in Iran.

Under the Technical Assistance programme, UNIDO is providing assistance to 17 countries in various ways, ranging from industrial planning and policies, to management and support to institutions and also covering specific industrial sectors. The range of activities covered under SIS programme was very wide. The variety of requests for assistance submitted clearly shows the complexity of the process of industrialization and the effectiveness of the SIS programme work. Giving examples of the way in which SIS acts as an integral part of the UNDP programmes and helps in providing systematic assistance to the developing countries the representative of Technical Co-operation Division said that the Government's main problem was to upgrade management skills as the advantage of cheap labour was fast disappearing. A programme for the training of top managers and consultants was arranged under SIS with the assistance of Standard Research Institute: it was so successful that the Government is now seriously considering of asking longer assistance for that purpose under the Special Fund.

In the same way the Pakistan Government wanted to re-organize and modernize its cotton textile industry and establish a Special Fund project. It was considered necessary first to organize a "clinic" to identify the major problems and then proceed under the Special Fund. In the same manner the repair and maintenance programme is being organized in Pakistan, in stages; first under SIS (a survey), then under Technical Assistance (to establish repair and maintenance programme in selected factories) and then if the necessity arose, on a large scale under the Special Fund. Speaking about the pipeline projects the representative of Technical Co-operation Division said that there were 103 projects. The composition was Special Fund and Technical Assistance, 19 each, and SIS 65.

One of the main trends noted was that five countries, viz. Formosa, Korea, India and Pakistan and Singapore had now completed what might be called as the first stage of industrial development (production of consumer goods). They were now producing goods for the export market and have also started producing capital goods. Their requirements of Technical Assistance were largely in management, quality control and specific sectors of industries. The response to repair and maintenance programme was very encouraging. In plant training was another area where several countries have shown interest. The representative of Technical Co-operation Division also referred to the beginning that has been made with Indonesia in the preparation of "country programmes".

DISCUSSION ON COUNTRY PROGRAMMES

Afghanistan

Nil.

Burma

Nil.

Ceylon

The representative of the Technical Co-operation Division referred to the Special Fund project Ceylon 13 and observed that UNIDO has not yet been able to get a response from the Office of Technical Co-operation to its offer to participate in the project which has, as its objective, several areas which fall under UNIDO's competence.

Mr. Harland (UNDP) observed that a new project for UNIDO was most likely to grow out of the current operational project Ceylon 13. The UNDP would suggest that UNIDO's industrial adviser discuss the future possibilities on the spot very shortly.

Mr. Paul-Marc Henry (UNDP) said the project was a particularly successful one. It had been launched before UNIDO emerged as a separate organization. It was the sort of project which was likely to give rise to other projects, feasibility studies etc. and it might well be that the time had now come for a mid-term evaluation of it which might show the need for new future orientation or emphasis. Responsibility for part of the project lay with the United Nations but the Government recognized that UNIDO should be associated with the industrial side of it. The UNDP would inform UNIDO, probably before the end of 1969, when the time had come for it to take action. The project was considered as being in the "pipeline".

Cambodia

A representative of the Technical Co-operation Division said that a joint UNDP-UNIDO-ILO mission was currently examining the possibility of establishing a centre for industrial development.

China

A representative of the Technical Co-operation Division said that one project was in the "pipeline" and another on the point of entering it. The one in the pipeline, "Assistance to the Union Industrial Research Institute" was earlier submitted to UNDP and the advice received was to send out a research adviser to UIRI for one year who should examine the exact requirements of UIRI - the expert was under recruitment. The request previously submitted in respect of CHINA 28 had not been accepted. The Government was keen on the project but there seemed to be some impression that the UNDP did not particularly favour it.

Mr. Paul-Marc Henry (UNDP) observed that China did not appear to have a priority need for assistance. Its rate of growth was rapid and it was a model for many developing countries. It could in fact be considered as an advanced country among the developing countries, and had received a great deal of assistance in the past. The UNDP considered the project in question as rather impractical, but would be willing to consider proposals for specific projects in the same field likely to give practical results.

A representative of the Technical Co-operation Division said that the second project was in respect of training of top managers and consultants, the Government would probably submit an official request very soon to continue the good work started under SIS with the assistance of the Stanford Research Institute.

Fiji Islands

The representative of the Technical Co-operation Division said one SIS request was submitted to UNDP and five more were under consideration of UNIDO.

Mr. Paul-Marc Henry (UNDP) said that the project request under SIS had been approved.

Hong Kong

Nil.

India

The representative of the Technical Co-operation Division said that there were several Special Fund projects in the pipeline. The first was for housing and building construction and land development. He added that UNIDO were informed that the office of the Technical Co-operation were examining the project and UNIDO were in touch with the office of Technical Co-operation.

Mr. Paul-Marc Henry (UNDP) said that UNDP had proposed the preparation of feasibility studies on (i) the design of pre-fabricated housing suited to Indian needs and (ii) the existing world systems. Once the matter had been reviewed it would be brought up again for consideration.

The representative of the Technical Co-operation Division said that the second project was for the development of leather goods. It was expected that the project will be submitted shortly. The third was for the establishment of a pilot plant for synthetic fibres. The Executive Director said that it would appear advisable to have a feasibility study for such a pilot plant in the same manner as was discussed early this morning.

The representative of the Technical Co-operation Division said that another old project in the pipeline was the Research and Development Organization for Electrical Industry. As advised by UNDP two SIS experts were being provided as a first phase. But contrary to previous thinking UNDP has lately observed that these experts should not examine the possibility of a Special Fund Project. According to the Technical Co-operation Division representative, the Resident Representative in India has argued against that and UNIDO would support him on that point.

Mr. Paul-Marc Henry (UNDP) said it would be quite out of the question for the UNDP to accept that project request until such time as a similar project (for which UNESCO was the executing agency) had been completed. The completion date was March 1970. The UNDP had been put to a great deal of inconvenience and expense in respect of that project and had in fact been obliged to sub-contract the work to the firm of Siemens which had now assumed full responsibility for finalizing the work.

Mr. Abdel-Rahman (Executive Director, UNIDO) said UNIDO would wish to assist in ensuring that the current project was completed successfully. Two SIS

experts might be sent to examine related work which might fall under the competence of UNIDO. He suggested that the terms of reference be widened and studies of UNIDO's future action be undertaken.

It was so agreed.

A representative of the Technical Co-operation Division said UNIDO had requested further information from the government on its request for projects dealing with modern wool dyeing in the Punjab, export possibilities, production design and development and the industrial application of radio isotopes.

Mr. Paul-Marc Henry (UNDP) described UNDP's experience on a FAO project in Rajasthan to process low quality wools. A wool dyeing project would constitute a useful follow-up to that project.

Mr. Abdel-Rahman (Executive Director, UNIDO) said UNIDO would co-ordinate its preparatory work with the FAO.

Indonesia

A representative of the Technical Co-operation Division said an unofficial request had been received for a project dealing with the re-organization of the textile industry. UNDP would be informed as soon as a letter of intent had been received.

Advance information had been received on two projects, one concerning the re-organization and development of the metal industry and the second on repair and maintenance.

Iran

A representative of the Technical Co-operation Division described the project - Pilot Production of Liquid Sugar from Dates - in the "pipeline". The Government also hoped to submit requests for projects on in-plant training and the promotion of food industries.

A new development in the region was the request for assistance to the Regional Co-operation for Development (RCJ) between Iran, Pakistan and Turkey. The new organization was working well in several economic and social fields and had

undertaken some 50 feasibility studies in the industrial sector above. It expected to concentrate on the engineering and electrical industries. A UNIDO staff member had been sent to assist the RCD Committee on Industry in its plans to set up a Heavy Engineering and Electrical Industries Corporation(s). The draft for such a request has been prepared and is being submitted to the RCD through the Resident Representative. It was hoped that if a project emerges out of that it will have UNDP support.

Korea

A representative of the Technical Co-operation Division said that an official request had been received for the establishment of a Food Processing Institute.

Mr. Paul-Marc Henry (UNDP) said the UNDP did not consider that project should receive very high priority.

Laos

Mr. Paul-Marc Henry (UNDP) observed that the UNDP would be interested in more projects for a cement plant similar to the one envisaged.

Malaysia

A representative of the Technical Co-operation Division said UNIDO hoped the official request already submitted would be considered by the UNDP in its January session the following year.

Mr. Paul-Marc Henry (UNDP) said the project would probably be approved, but approval would be subject to clarification of a number of issues including the overlap of activities of the proposed institute with facilities already existing.

Mongolia

A representative of the Technical Co-operation Division said an official request had been submitted for the establishment of an Industrial Research Centre. The Government attached great importance to it and hoped it would be considered in the January 1970 session of the Governing Council.

Nepal

Nil.

Pakistan

A representative of the Technical Co-operation Division said that there were three main pipeline projects for Pakistan: an in-plant training programme for university graduates, a project for the reorganization and development of the textile industry, and a project for the development of the leather industry. In addition, there were projects in connexion with small-scale industry and the development of industrial estates. A project for the reorganization and development of the jute industry has already been approved. The plan of operation of that project is being revised in accordance with UNDP instructions.

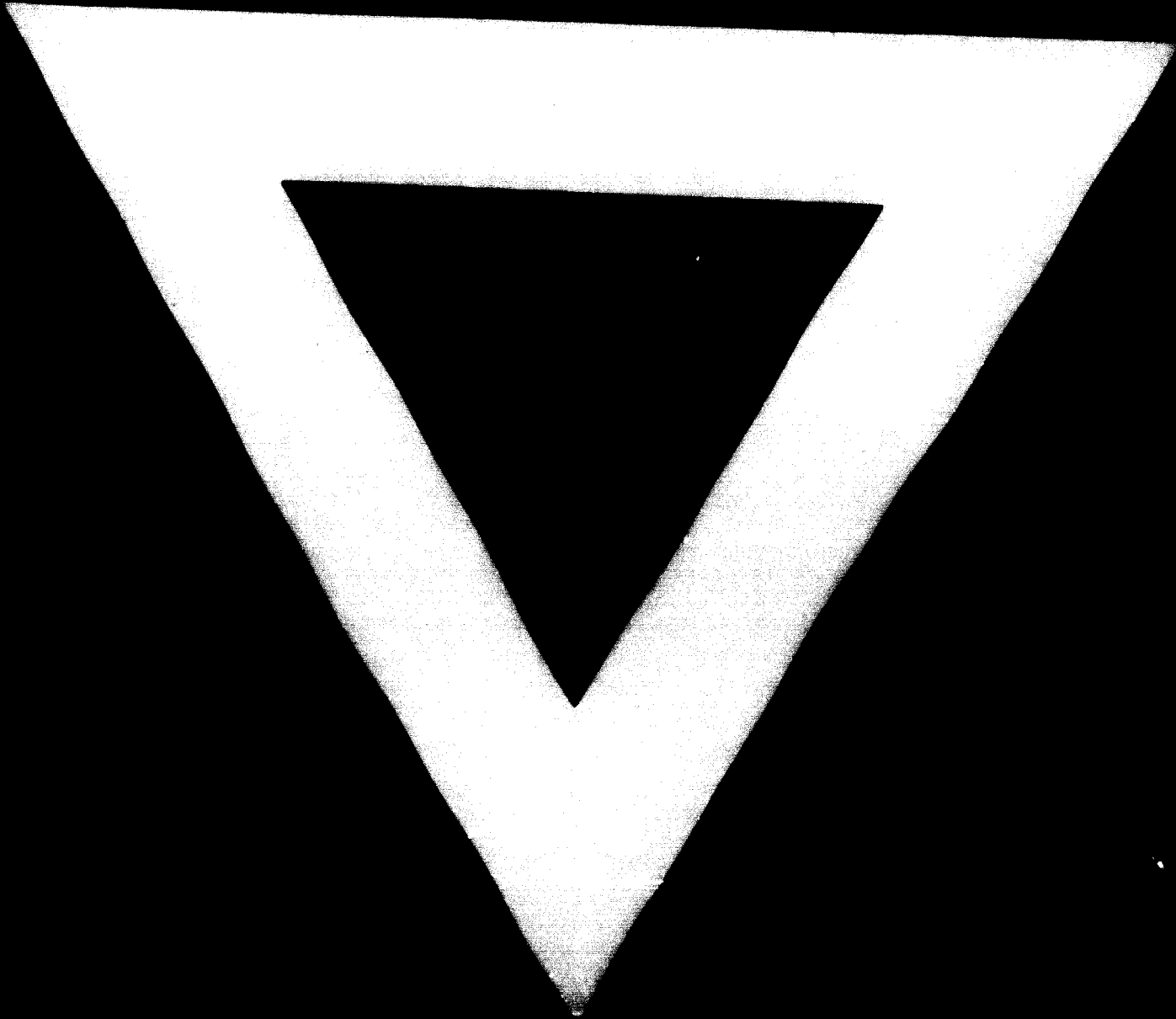
Mr. Nagelstein (UNDP) said that the situation in Pakistan regarding fertilizer production was very discouraging. The Government had completely changed the previous arrangements for development of that field and had undertaken, for its own reasons, three major projects involving a 30 million dollar loan from the World Bank for the construction of three fertilizer plants which would duplicate each other to some extent.

A representative of the Industrial Technology Division said that the proper execution of project PAK 26 had been seriously hindered by the failure of FAO to carry out its sub-contracting obligations properly. In two successive seasons, FAO had failed to supply the fertilizers needed for demonstration purposes, although UNIDO knew for a fact that those fertilizers were readily available to FAO.

Mr. Paul-Marc Henry (UNDP) asked UNIDO to send him a note giving full details of the difficulties involving FAO in the project in question, as he attached great importance to the matter.

The meeting rose at 6.25 p.m.





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