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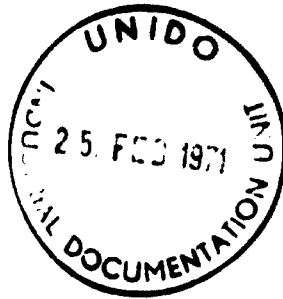
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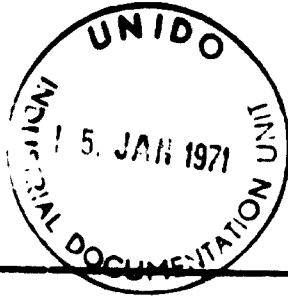
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UNIDO'S ACTIVITIES IN THE AREA OF INDUSTRIAL POLICIES  
1967-1970

Corrigendum

Page 22. In Table 1 listing Country or Regions served, substitute "Bahrain, Qatar, Abu Dhabi and Dubai" for "Arab Gulf Emirates".

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DEVELOPMENT ORGANIZATION

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Note to the reader of this Document

The purpose of the meeting of the Advisory Panel of Consultants is to obtain outside and impartial points of view on the needs of developing countries in the area of industrial policies and the ways in which UNIDO can best help to meet these needs.

The terms of reference given to the Advisory Panel of Consultants are:

- (a) to examine the operational and supporting activities of the UNIDO in the area of industrial policies over the period 1967-70;
- (b) to make suggestions regarding these activities and the ways and means to implement them.

This Background Paper therefore provides a concise introduction to the activities of UNIDO in the area of industrial policies. It is only an introduction because members of the Advisory Panel have been asked to read a supplementary set of documents which are listed in Annex 5 of this paper.

The approach is descriptive because UNIDO does not want to pre-judge what the needs of developing countries are or how they can best be met. Evaluation of past activities is avoided; but problems encountered are identified where this seems appropriate.

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## INTRODUCTION

1. The purpose of the UNIDO is described in the General Assembly Resolution No.2152(XXI) of 17 November 1966 which established the Organization (see Annex I). In further defining these functions, the Industrial Development Board asked the UNIDO to provide assistance in a number of fields, including:

"Assistance in the formulation of industrial development plans and programmes and the determination of priorities and the formulation of appropriate policies, incentives and other measures in individual countries or in groups of countries."

2. In discharging its responsibilities, UNIDO undertakes two types of activities: Operational activities (advisory assistance to requesting governments) and Supporting activities (seminars, meetings, research and publications). The procedures and financing arrangements for implementing these activities are described in Annex 2.

3. The aim of this Background Paper is to describe how activities in the area of industrial policies have been developed over the four years of 1967 to 1970. The development of these activities is the responsibility of the Industrial Policies and Financing Section.

4. They form an integral part of the activities of UNIDO's Industrial Policies and Programming Division. The broad areas of responsibility of the four sections of the Division are divided as follows:

### Industrial Programming Section (Group 12)

- Formulation of industrial development plans
- Preparation, evaluation and implementation of industrial projects

### Industrial Policies and Financing Section (Group 13)

- Formulation of industrial policies
- Industrial financing
- Investment promotion

### Export Industries Section (Group 14)

- Identification of industries with export potential
- Institutions to promote and support industrial exports

### Industrial Surveys Section (Group 15)

- Country surveys of industrial development
- Training in survey methods and industrial data collection.

5. Activities within the field of industrial policies therefore need to be considered within the wider framework of the activities of the Division which aims to provide assistance at various stages of the formulation and implementation of the industrial development programme. For example, the need to modify existing policies may be identified by a survey of the structure and competitiveness of the existing industrial sector; industrial policies may need to be reviewed when a new programme of industrial development has been formulated.

6. The operational activities are described in Chapter I and the supporting activities in Chapter II. Each chapter describes the scope of these activities and the approach adopted. Chapter III lists some questions which have suggested themselves to UNIDO when preparing this paper; this list is suggestive and not exhaustive since it is not intended to replace the broad terms of reference given to the Panel.



CHAPTER I

ADVISORY ASSISTANCE TO REQUESTING GOVERNMENTS

7. The aim of this chapter is to describe the scope of operational activities in the area of industrial policies over the period 1967 to 1970 and the approach adopted.

The Scope of Operational Activities

8. Operational activities reflect the nature of advice which has been requested by governments. The assistance requested usually involves providing advice on one or more of the following subjects:

- the formulation of the set of policies, incentives and other measures need to implement the programme of industrial development;
- the detailed design of one specific type of policy measure or instrument (investment incentives, the tariff structure, the system of licensing new investment, etc.);
- the policies used to co-ordinate and control manufacturing enterprises in the public sector;
- ways of adjusting the national policies of a group of countries to facilitate regional co-operation in industrial development.

In each area, the government machinery used to implement policy is usually considered.

9. The number of requests for each type of assistance and the names of the countries which requested UNIDO assistance in the period 1967-70 are listed in Annex 3.

10. The scope of some of these activities can be examined in detail in the reports of technical assistance assignments which have been included as documents for the meetings: Advisory Group on Industrial Policies (Iran), Industrial Licencing System (Kuwait), Foreign Investment Policy (the Republic of Korea) and Policies for Regional Industrial Co-operation (CARIFTA)✓.

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✓ Documents 4C, 4B, 4D and 4A respectively

The Approach to Operational Activities

11. Six aspects of the approach used to implement requests for advisory assistance in the field of industrial policies will be considered: (A) the analytical approach adopted, (B) the form in which assistance is provided, (C) the type of expert recruited, (D) the involvement of UNIDO staff members, (E) the type of co-operation established with the requesting government and (F) endorsement of the expert's advice by UNIDO.

A. The Analytical Approach Adopted

12. The choice of analytical approach depends first on the reasons why the Government requested UNIDO's assistance. The request may result from some dissatisfaction with the effectiveness of the set of policies (or one type of policy measure) used in the past; the main concern may be to obtain a second and outside opinion on the set of policies (the design of one type of policy measure) most suitable for achieving newly established targets and objectives for industrial development; or there may be other reasons.

13. UNIDO's experience suggests that comprehensive advice requires a number of basic steps. These are:

- to discuss and clearly identify the Government's industrialization targets and objectives - both short-term and long-term - whether or not they are newly established;
- to identify the policies, incentives and other measures used by the Government to implement the industrial development programme;
- to identify the role of each Government agency in formulating and implementing this set of policies;
- to collect information on which to base a study of the impact of the set of policies followed on the pace, direction and quality<sup>2/</sup> of industrial development achieved in the past;
- to use this information to make a preliminary assessment of the impact of the set of policies used, including identification of obstacles or disincentives caused by Government action (or lack of it);

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<sup>2/</sup> For a tentative definition of "quality" see Document No. 3A UNIDO Monograph Number 20, General Issues of Industrial Policy pages 5-7, 40, and 45.

- based on this assessment to suggest new or modified measures and instruments that can be used in the future to better achieve the country's industrialization targets and objectives.

14. There is a logical sequence to these steps. All of them are usually needed when the whole set of policies, incentives and other measures is to be reviewed. Where assistance is requested in designing one particular type of policy measure or in reviewing policies which co-ordinate and control manufacturing activities in the public sector, the steps may be easier to implement.

15. The first step — to discuss and clearly identify the targets and objectives of the industrial development programme — can prove a demanding exercise for the Government, particularly in countries where several different agencies or departments are involved in the formulation and implementation of policy. Essentially this step demands some definition of the Government's "industrialization policy"<sup>3/</sup> or what has been called in some European countries "industrial policy"<sup>4/</sup>. This step is particularly complex because industrialization policy, trade and economic policy are all closely inter-related<sup>5/</sup>, and because the definition of industrialization policy presupposes that the overall strategy of economic development and the role which industrialization is to play in it has already been established.

16. An important issue which UNIDO advisers face is whether or not they should become involved in establishing some of the more strategic targets and objectives of industrialization policy, and if so, how. The need to consider the basic orientation of industrialization policy is

<sup>3/</sup> See Document 3C, the paper prepared on the industrialization policy of Asian countries for the Second Session of the Asian Conference on Industrialization held in Tokyo in September 1970.

<sup>4/</sup> A document of the Secretariat of the Commission on the European Communities entitled Principles and general datelines of Industrial Policy for the Community indicates that "it is difficult to give a definition of industrial policy other than in terms of objectives". See Supplement to Bulletin 4-1970 of the European Communities.

<sup>5/</sup> See Industry and Trade in Some Developing Countries; a comparative study by Ian Little, Tibor Scitovsky and Maurice Scott, and related volumes studying the Industrialization and Trade Policies of Mexico by Timothy King, of Brazil by Joel Bergsman, of Pakistan by Stephen R. Lewis Jr., of India by Jagdish N. Bhagwati and Padma Desai, and of Taiwan and the Philippines by Mo-Huan Hsing, John H. Power and Gerardo P. Sicat. Oxford University Press, 1970.

important here<sup>6/</sup>.

17. The main difficulty in identifying the policy instruments and measures which have been used by the Government has been to know where to stop. A tentative list of the instruments of Government policy which affect industrial development is provided in Annex 4. This shows that it is a demanding task to review all the different types of instruments used. Furthermore, the use of these measures is not the only action taken by a Government to promote and facilitate the programme of industrialization. Possible necessary action in other areas includes:

- Improvement of the transport and communications system;
- Development of adequate power and water supplies for industrial development;
- Establishment of institutions mobilizing finance for industry;
- Technical and vocational training programmes;
- Management training programmes;
- Institutions for industrial research and development<sup>7/</sup>.

18. The third step -- reviewing the functions of various government agencies -- may help considerably in identifying the measures used.

19. Some of the information required for the fourth step may already be available when the request for advice on industrial policies has developed as a result of UNIDO assistance in making a survey of the industrial sector and/or cost profiles of existing industrial enterprises. But when an independent request for advice on industrial policies is received, this information usually has to be collected first. The exploratory visit made by a staff member to Iran in 1969 suggests the type of information needed<sup>8/</sup>.

<sup>6/</sup> For example, the need to develop export-oriented industrial production has been stressed in the UNIDO Monograph No.20, General Issues of Industrial Policy (Document 3A); the Asian Conference Paper on Industrialization Policy (Document 3C) and, for example, by Professor Bela Balassa in Industrial Policies in Taiwan and Korea, IBRD Economics Department Working Paper No.86, August 1970.

<sup>7/</sup> The Advisory Group on Industrial Policies in Iran felt it necessary to comment on some of these broader aspects of development policy (See Document 4C).

<sup>8/</sup> Document 4C(i) suggests an outline for a branch-by-branch analysis of the effect of policies on the development of different branches of industry in Iran.

20. UNIDO recognizes that the fifth step - an assessment of the impact of policy on the pace, direction and quality of industrial development achieved in the past - is an extremely difficult if not impossible task. Experience suggests that it is usually easier to assess the combined impact of the whole set of instruments and measures rather than the impact of a single measure. Major obstacles, disincentives, adverse side effects and conflicts are usually easier to identify than the positive contribution of policy to specific achievements. Advisers therefore have difficulty in deciding whether positive results should be attributed to policy in general or one measure in particular.

21. However in practice, the sixth step -- suggesting new or modified measures -- can often be implemented based on the experience of the use of these measures in other countries, the need to overcome certain obstacles, or the need to achieve specific new objectives.

22. UNIDO recognizes that implementation of all six steps is an ideal. In practice, the approach needs to be modified or simplified. Various approaches have been tried, including approaches which concentrate on:

- (a) diagnosing the major policy problem areas in achieving the desired pace, direction and quality of industrial development;
- (b) considering the adequacy of the set of policies used to achieve only a few major objectives;
- (c) limiting the assessment of the impact of policy followed in the past to a study of the development of only a few branches of industry;
- (d) examining the effect of only a few selected measures (e.g. protection policy and incentive measures) on the achievement of industrialization objectives.

23. The first and third approaches were used by the Advisory Group on Industrial Policies which visited Iran in 1970. The second approach was used by UNIDO to prepare the paper on industrialization policy for the Second Session of the Asian Conference on Industrialization. All four approaches and others appear to have been used by the authors of the more comprehensive and time-consuming studies sponsored by the Development Centre of OECD<sup>9/</sup>.

<sup>9/</sup> The studies are listed in reference 5 above

B. The form in which technical assistance is provided

24. The forms most widely used to implement requests for technical assistance in the area of industrial policies are:

- (a) a resident adviser on a long-term assignment (usually 1 or 2 years);
- (b) visiting adviser on a short-term assignment (1 to 3 months);
- (c) a short-term visiting mission by a group of advisers;
- (d) a resident adviser for a period of 2 to 3 years as one of a small group of experts which forms the nucleus of a Special Fund Project advising the government on industrial development planning and policies.

25. UNIDO has recommended all these forms of assistance to implement requests from governments for advice in the field of industrial policies. The first form has been used most. A small advisory group of experts recruited for an assignment of 1-3 months has been used when the advice requested required a multi-discipline approach and high level experienced advisers<sup>10/</sup>.

C. The type of expert recruited

26. UNIDO has experienced difficulty in recruiting experts of a high calibre, particularly for long-term assignments. Candidates who have had experience of formulating policy for a government are not usually looking for jobs or even for a temporary release from their post. UNIDO's roster of potential candidates with appropriate qualifications is therefore limited. Therefore ways have been considered of making a direct approach for the release of suitable personnel to government departments, universities and large industrial enterprises. In addition, a roster of consulting firms who have relevant experience is being compiled.

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<sup>10/</sup> See Report of the Industrial Advisory Mission to Caribbean countries (Document 4A) and Report of the Advisory Group on Industrial Policies in Iran (Document 4C)

D. The involvement of UNIDO staff members

27. Experience has shown that the formulation and subsequent implementation of technical assistance is usually improved when the type of assistance needed is discussed first with the requesting Government by a UNIDO staff member. This is particularly true for requests of a more general nature where considerable preparatory work is usually needed to define the problem areas and collect relevant information<sup>11/</sup>. Where the request is more specific, preliminary advice is sometimes provided during the exploratory mission. UNIDO staff members are not as a general rule used to implementing requests in preference to advisers recruited from outside; they are, however, expected to assist advisory groups on short-term missions.

E. The type of co-operation established with the Government

28. The title of "adviser" is used for most expert posts in recognition of the fact that the requesting government itself is alone responsible for policy formulation and not UNIDO. Experts recruited as advisers or to take part in an advisory mission are urged to emphasize this definition of their function and to try and establish an effective and continuing dialogue with officials of the requesting government which they are advising rather than rely exclusively on written reports.

29. When an expert is recruited for a long-term assignment the Government is expected to nominate one senior official as his counterpart; the form of co-operation depends on the level of the counterpart and the working relationship which is established.

30. For short-term advisory missions, Government co-operation requires a willingness of senior government officials to establish a dialogue with members of the visiting advisory mission. Detailed work on collecting and analysing information requires the co-operation of less senior officials; this work is particularly important when the working language of the government is not the mission's working language.

F. Endorsement of the expert's advice by UNIDO

31. The report of advisers recruited for short-term assignments is

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<sup>11/</sup> See Document 4C, Advisory Group on Industrial Policies to Iran; Report of the Exploratory Mission.

usually speedily endorsed by UNIDO when the adviser concerned passes through Vienna at the end of his assignment. For resident advisers recruited on long-term assignments the position is more difficult; their advice is given verbally as well as in written form on a day-to-day basis. Quarterly progress reports and a comprehensive final report are required, but these do not necessarily include a detailed account of all the advice and recommendations given. Although contrary to United Nations instructions, these reports are in practice usually handed unofficially to officials of the government before UNIDO has had the opportunity to endorse or qualify the advice and recommendations contained in them.



## CHAPTER II

### SUPPORTING ACTIVITIES INITIATED AT UNIDO HEADQUARTERS

32. The basic aims of supporting activities initiated at UNIDO Headquarters are:

- (a) to accumulate a comprehensive body of knowledge on the set of industrial policies used by different countries; and
- (b) to disseminate this information through seminars, meetings and publications.

33. A start has been made in accumulating a body of knowledge in the four principal areas in which advice is sought by developing countries -- namely:

- The set of policies, incentives and other measures used to implement industrial development programmes.
- The detailed design of industrial policy measures.
- Policies used to co-ordinate and control manufacturing enterprises in the public sector.
- Harmonising national policies to facilitate regional industrial co-operation.

In each area, the government machinery used to formulate and implement policy is considered.

#### Studies of the experience of developing countries

34. UNIDO has relied extensively on information based on research undertaken by other people and organisation<sup>12/</sup> rather than initiate original research work itself. Only where gaps are identified in the world-wide body of knowledge on a particular subject, has UNIDO

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<sup>12/</sup> For example, preparation of the UNIDO paper on the industrialisation policy followed by Asian countries in the 1960's was aided by the studies of the experience of India and Pakistan made by the Development Centre of OECD.

The Seminar on Incentive Policies for Industrial Development was addressed by Mr. George Lent who summarised the results of the IMF programme of research on tax incentives. See Tax Incentives for Investment in Developing Countries by George E. Lent IMF Staff Paper, July 1967.

initiated studies on its own initiative<sup>13/</sup>. The studies made so far are listed in Table 1 on page 13.

35. The approach adopted has emphasized the need (a) to examine the historical origins of the measures used to implement industrial development policy, and (b) to assess the impact of the measures used on the achievement of the country's major industrialization and other policy objectives.

36. Wherever possible, the consultants selected to make the studies were nationals of the country whose experience was being studied. When the consultant used was a government official who was directly involved himself in the formulation of policy, the description of the measures used has usually been more comprehensive than the evaluation; when consultants outside the Government have been used the evaluation of the measures used has often been more objective.

37. In 1970, UNIDO was asked by the Economic Commission for Asia and the Far East (ECAFE) to prepare a paper which compared the industrialization policy followed by Asian countries in the 1960s and suggested possible policy guidelines for the 1970s<sup>14/</sup>. Work undertaken in preparing this paper and subsequent discussions of the subject at the Conference itself revealed the need to consider a wider range of long-term policy objectives and the set of measures and other action used to achieve them.

38. In 1971 and 1972, a new series of more comprehensive country studies is planned as part of UNIDO's activities for the Second Development Decade. The long-term objectives of industrialization policy of a few developing countries, the broad strategy of plans and the whole set of measures and instruments used to achieve them will be studied in depth. The experience of countries at different stages of industrial development and using different social and economic systems will be examined.

<sup>13/</sup> For example, studies on tariff protection will not be launched until the results have been assessed of Professor Bela Balassa's studies made under the auspices of the World Bank and the Inter-American Development Bank of the structure of protection in Brazil, Chile, Malaysia, Mexico, Pakistan, the Philippines and Norway.

<sup>14/</sup> See Document 3C

Table 1

Studies of the experience of developing countries  
initiated by UNIDO, 1967-70

- 1967 Tax incentives for industrial development  
Argentina, Greece, Israel, Nigeria
- 1968, 1969 The package of incentive measures<sup>15/</sup>  
Argentina, Bolivia, Brazil, Chile, Ecuador, India, Iran,  
Ivory Coast, Jamaica, Korea (Republic of), Malaysia,  
Nigeria, Pakistan, Paraguay, Peru, Philippines, Sudan,  
Thailand, Turkey, Uganda and Venezuela
- 1968, 1969 Policies and machinery for financing manufacturing  
enterprises in the public sector <sup>16/</sup>  
Colombia, Indonesia, Hungary, Mexico, Poland, Tanzania,  
Tunisia, United Arab Republic, USSR, Yugoslavia
- 1969, 1970 Tariff and protection policies for industrial development<sup>17/</sup>  
Nigeria
- 1969, 1970 The set of policies used to implement industrial development  
plans <sup>18/</sup>  
Iraq, Sudan, Syria, United Arab Republic
- 1969 Harmonising incentive policies to facilitate regional  
industrial co-operation <sup>19/</sup>  
Central American Common Market, East African Common Market
- 1970 Harmonising the set of industrial policies to facilitate  
regional industrial co-operation  
Arab Economic Union  
Central African Customs and Economic Union (UDEAC)  
Regional Co-operation for Development (RCD - Iran, Pakistan,  
Turkey)

- 
- <sup>15/</sup> See Document 6A for study outline and studies of the experience of Argentina, Nigeria and Thailand.
- <sup>16/</sup> See Document 6C for study outline and study of the experience of Syria.
- <sup>17/</sup> See Document 6B(1) and (ii) for study outline and the study of Nigerian experience.
- <sup>18/</sup> See Document 6B(1) and (ii) for study outline and the study of the experience of the United Arab Republic.
- <sup>19/</sup> See Document 7A(1) and (ii) for study outline and study of the experience of the RCD countries (Iran, Pakistan and Turkey).

39. It is hoped that each study can be undertaken with the close co-operation of the Government of the country concerned and with its full support from the outset. A consultant or UNIDO staff member will take overall responsibility for the preparation of each study, but it is hoped that the Government will form a top-level consultative committee to supervise the study as well as provide staff to undertake certain parts of the detailed work. This approach is expected to facilitate subsequent action by the Government of the country whose experience is being studied as well as to further the development of the body of knowledge on the effect of policy on the industrialization process.

#### Seminars and meetings

40. Most of the studies listed above were initiated to help prepare for the series of seminars which UNIDO has planned. The seminars held in the period 1967-70 and planned for 1971 and 1972 are listed in Table 2 on page 15.

41. The basic aims of these Seminars is to permit officials from a wide range of countries, (a) to compare the experience of their own country with that of other countries (b) to become acquainted with recent developments in the body of knowledge on the subject and the views of distinguished guest speakers and (c) to use the knowledge thus gained to play the role of policy-maker themselves in working out case studies.

42. The main forms of documentation prepared for these seminars by UNIDO have therefore been:

- (i) Issue Papers designed to identify the major issues which should be discussed by participants; <sup>20/</sup>
- (ii) Studies of the experience of selected countries; and
- (iii) Case studies which describe the circumstances of a hypothetical developing country, the policies used at present by its government, and some of the problems which have been encountered in implementing industrial development policy. <sup>21/</sup>

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<sup>20/</sup> See Document 5C(i) for an example from the Beirut Seminar

<sup>21/</sup> See Document 5C(ii) for an example from the Beirut Seminar

Table 2

SEMINARS AND MEETINGS ORGANIZED BY UNIDO  
IN 1967-70 AND PLANNED FOR 1971 AND 1972

Seminars

March 1969	Inter-regional Seminar on Incentive Policies for Industrial Development - Vienna
December 1969	Inter-regional Seminar on Financial Aspects of Manufacturing Enterprises in the Public Sector - Rome
January 1971	Inter-regional Seminar on Selected Aspects of Industrial Policy for countries in the Middle East and North Africa served by IDCAS and UNESOP - Beirut
<u>Planned</u>	
December 1971	Regional Seminar on Selected Aspects of Industrialization Policy for Latin American countries - Santiago de Chile
1972	Inter-regional Seminar on Tariff and Protection Policies for Industrial Development - Vienna

Meetings

May 1971	First Expert Group Meeting on Policies for Regional Industrial Co-operation - Vienna
1972	Second Expert Group Meeting on Policies for Regional Industrial Co-operation
1972	Second Meeting of the Advisory Panel of Consultants on Industrial Policies

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Publications

43. Publications can help disseminate the knowledge accumulated by UNIDO to a wider range of officials in developing countries. There is a very large potential audience in the 100 odd developing countries. UNIDO experts working as advisers in these countries can also benefit from such publications.

44. The main set of publications so far have been the Report and Proceedings of the two Seminars held in 1969<sup>22/</sup>. The Proceedings to be published in 1971 will include the addresses of guest speakers and a selection of the studies of the experience of individual countries.

45. Work has been initiated on compiling a loose-leaf directory providing two-page summaries of the investment incentives offered by developing countries. The sheets are prepared by UNIDO and checked by the Government. A set covering 35 countries will be published early in 1971<sup>23/</sup>. It is planned to cover all developing countries and then eventually add additional information which interests potential foreign investors. The Directory is also expected to help developing countries compare their incentives with those of others.

46. In response to a general guideline given by the Industrial Development Board, an attempt was made to see whether a series of Manuals or similar guidebooks on the principles and practice of designing specific types of industrial policy measures could be prepared for use by officials and experts in developing countries. An outline for a Manual on Tariff and Protection policies was drafted in 1970<sup>24/</sup>. Further work has been postponed until more information on which to base such Manuals has been collected and the feasibility of this ambitious project can be verified.

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<sup>22/</sup> See Documents 5A and 5B

<sup>23/</sup> Document 8A

<sup>24/</sup> See Document 8B

CHAPTER III

SOME QUESTIONS WHICH THE PANEL MIGHT CONSIDER

47. The two preceding chapters have described very briefly the broad coverage of UNIDO's activities in the field of industrial policies. More progress has been made in developing work in some areas than in others. They have also described the approach adopted.
48. UNIDO recognizes that industrial policy is a very new branch of economic policy. For this reason, there appears to be no well established body of knowledge on the industrial policy of industrially-advanced countries. The industrialization policy of developing countries has only just begun to be studied in a systematic way.
49. It therefore appears both useful and important that UNIDO should play a leading role in developing and disseminating experience in this field.
50. The Panel is therefore asked to use their knowledge of the needs of developing countries to consider the following questions. The list is suggestive; it is not intended to be exhaustive. Other questions, perhaps more important ones, are expected to arise during discussion at the meeting itself. The list is not intended to replace the very broad terms of reference given the Panel, namely:
- to examine the operational and supporting activities of the UNIDO in the area of industrial policies over the period 1967-70;
  - to make suggestions regarding these activities and the ways and means to implement them.
51. The questions which have suggested themselves to UNIDO staff when preparing this Background Paper are:
- (a) What are the main gaps in the world-wide body of knowledge of the subject industrial policies? How can UNIDO best co-ordinate research efforts designed to fill these gaps? What studies should UNIDO initiate itself? What approach should be adopted in these studies?

- (b) When UNIDO is asked to make an overall review of the set of industrial policies what is the best approach to adopt and what kind of expertise is required?
- (c) What part should consideration of the machinery used to implement policy play in such a review?
- (d) Is it useful to implement government requests which entail reviewing only some of the industrial policy measures used rather than the whole set of policies?
- (e) Do the supporting activities developed in 1967-1970 and planned for 1971 and 1972 provide an adequate coverage of the field of industrial policies; if not what new areas should be included in the future?
- (f) What are the most important areas on which UNIDO should concentrate attention in the coming years?
- (g) Is training a useful activity in this field? If so what is the best approach to adopt?
- (h) What type of publications are likely to be most useful in this field? Is the preparation of Manuals on the design of one industrial policy measure (i) feasible (ii) likely to be useful?



THE UNITED NATIONS GENERAL ASSEMBLY RESOLUTION ESTABLISHING UNIDO

November 17, 1966

The General Assembly

I

Decides that the United Nations Industrial Development Organization (hereinafter referred to as the Organization), established as an organ of the General Assembly, shall function as an autonomous organization within the United Nations in accordance with the provisions set forth in section II below;

II

PURPOSE

1. The purpose of the Organization shall be to promote industrial development, in accordance with Article 1, paragraph 3, and Articles 55 and 56 of the Charter of the United Nations, and by encouraging the mobilisation of national and international resources to assist in, promote and accelerate the industrialization of the developing countries, with particular emphasis on the manufacturing sector.

FUNCTIONS

2. In the fulfilment of its purpose, the Organization shall undertake:

(a) Operational activities, including in particular:

- (i) Encouragement and promotion of and making of recommendations for national, regional and international action to achieve more rapid industrialization of developing countries;
- (ii) Contribution to the most effective application in the developing countries of modern industrial methods of production, programming and planning, taking into account the experience of States with different social and economic systems;
- (iii) Building and strengthening of institutions and administration in the developing countries in the matter of industrial technology, production, programming and planning;
- (iv) Dissemination of information on technological innovations originating in various countries and, for the developing countries, assistance in the implementation of practical measures for the application of such information, the adaptation of existing technology and the development of new technology especially suited to the particular physical, social and economic conditions of developing countries through the establishment and improvement, inter alia, of technological research centres in these countries;

- (v) Assistance, at the request of Governments of developing countries, in the formulation of industrial development programmes and in the preparation of specific industrial projects, including, as necessary, technical and economic feasibility studies;
  - (vi) Co-operation with the regional economic commissions and the United Nations Economic and Social Office in Beirut in assisting the regional planning of industrial development of developing countries within the framework of regional and sub-regional economic groupings among those countries, where such groupings exist;
  - (vii) Making recommendations, in connexion with the objectives stated under (vi) above, for special measures for adapting and co-ordinating the measures adopted so that, in particular, the less advanced of the developing countries will receive a strong impetus to their growth;
  - (viii) Offering advice and guidance, in close co-operation with the appropriate bodies of the United Nations, the specialized agencies and the International Atomic Energy Agency, on problems relating to the exploitation and efficient use of natural resource, industrial raw materials, by-products and new products of developing countries, with a view to increasing their industrial productivity and contributing to the diversification of their economies;
  - (ix) Assistance to the developing countries in the training of technical and other appropriate categories of personnel needed for their accelerated industrial development, in co-operation with the specialized agencies concerned, in conformity with the principles of collaboration and co-ordination set forth in paragraphs 33 and 34 below;
  - (x) Proposing, in co-operation with the international bodies or inter-governmental regional bodies concerned with industrial property, measures for the improvement of the international system of industrial property, with a view to accelerating the transfer of technical know-how to developing countries and to strengthening the role of patents consistent with national interests as an incentive to industrial innovations;
  - (xi) Assistance, at the request of Governments of developing countries, in obtaining external financing for specific industrial projects, by giving guidance in the preparation of requests, by providing information on the terms and conditions of the various financing agencies and by advising the financing agencies on the technical and economic soundness of the projects submitted for financing;
- (b) Action-oriented studies and research programmes designed especially to facilitate the activities outline in sub-paragraph (a) above, including in particular the compilation, analysis, publication and dissemination of information concerning various aspects of the process of industrialization, such as industrial technology, investment, financing, production, management techniques, programming and planning.

THE PROCEDURES FOR IMPLEMENTING ADVISORY  
ASSISTANCE AND SUPPORTING ACTIVITIES

Advisory assistance (operational activities) are initiated after receipt of an official request from the concerned government.

They have been financed by the UNDP (United Nations Development Programme) either as part of the overall programme of United Nations technical assistance or, in the case of urgent short-term assignments, under the programme of Special Industrial Services (SIS). Initially, certain governments made voluntary contributions to a trust fund to finance SIS activities; as this fund is nearly exhausted, SIS activities are beginning to be financed from the UNDP Revolving Fund.

Supporting activities are initiated in accordance with a programme of work approved by the Industrial Development Board on which 45 member countries of the United Nations are represented. The programme of work for 1971 in the area of industrial policies (part of the activities of Group 13) is described in Document 2A; the comments that were made by the Industrial Development Board on these activities at their Fourth Session in April 1970 are summarized in Document 2B. The draft programme of work for 1972 to be reviewed in April 1971 is included as Document 2C.

Supporting activities in the form of expert group meetings and research studies are financed by the special budget provision for UNIDO made in the regular budget of the United Nations.

Seminars on industrial policies have been financed as part of the UNDP's regional and inter-regional training programme.

In the future, certain activities may be financed by supplementary voluntary contributions to the financing of UNIDO made by member countries.

TABLE 1: Operational Activities in the Area of Industrial Policies;Technical Assistance Personnel 1967-1970

<u>AREAS OF ACTIVITY</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>
Adviser on Industrial Development (General)	3	3	3	3
Adviser on Industrial Policies (General)	-	-	1	4
Adviser on Industrial Policies (The design of one particular measure)	-	1	-	1
Adviser on Industrial Policies (Manufacturing enterprises in the public sector)	1	1	1	2
Adviser on Industrial Policies (Regional Co-operation)	-	-	4	2
Exploratory missions (UNIDO staff)	-	1	1	3
	<u>4</u>	<u>6</u>	<u>10</u>	<u>16</u>
<u>COUNTRY OR REGION</u>				
Arab Gulf Emirates	-	1	-	-
Brazil	-	-	1	-
Central America (ECLA, Mexico City)	-	-	-	1
Caribbean Free Trade Area (CARIFTA)	-	-	4	-
Dominican Republic	1	1	1	1
East African Community	-	-	-	1
Fiji	-	-	1	1
Indonesia	-	-	-	1
Iran	-	-	1	4*
Republic of Korea	-	-	-	1
Kuwait	1	1	1	1
Nepal	-	-	-	1
Nicaragua	-	1	-	-
Paraguay	1	1	-	1
Saudi Arabia	-	-	-	2**
Singapore	1	1	1	1
	<u>4</u>	<u>6</u>	<u>10</u>	<u>16</u>

Notes: \* Advisory Group on Industrial Policies - 3,  
under recruitment 30/11/70 - 1

\*\* Posts under recruitment at 30/11/70

A TENTATIVE CHECK-LIST OF INSTRUMENTS AND MEASURES  
USED TO IMPLEMENT INDUSTRIAL POLICY

1. FOREIGN TRADE POLICIES

The exchange rate  
Import licensing and controls  
Tariffs and other import duties  
Export incentives and/or subsidies

2. OTHER BASIC ECONOMIC POLICIES AFFECTING INDUSTRY

Taxation of industrial enterprises  
Monetary and credit policy  
Wages and incomes policy

3. MEASURES AFFECTING INDUSTRY IN PUBLIC SECTOR

Industries reserved for public sector development  
Policy on organisation of manufacturing enterprises  
Price and profit policy of manufacturing enterprises  
Policy on financing manufacturing enterprises  
Management and employment policies of manufacturing enterprises

4. MEASURES TO PROMOTE PRIVATE INVESTMENT IN INDUSTRY

Industries reserved for private investment  
Assistance at the pre-investment stage  
The use of tariffs as an incentive measure  
Import duty concessions  
Tax incentives  
Provision of financing on favourable terms  
Provisions of land and factory buildings  
Provision of power on favourable terms  
Subsidising in-plant training of labour  
Other forms of direct subsidy

5. MEASURES AFFECTING FOREIGN INVESTMENT IN INDUSTRY

Foreign investment law

Taxation of payments for technical know-how

Taxation of dividends remitted abroad

Regulations on employment of foreign personnel

Exemption of foreign personnel from local income tax

Double taxation agreements

Bilateral investment guarantee treaties

Bilateral investment insurance schemes

6. MEASURES TO REGULATE INDUSTRIAL DEVELOPMENT

Licensing of new industrial projects

Control of prices of manufactured goods

Regulations governing use of local resources

Legislation governing form of business organisation

Patents and trademarks legislation

Legislation controlling monopoly of supply

Regulations on the standardization of product design

LIST OF DOCUMENTS PROVIDED FOR SUPPLEMENTARY READING  
BY MEMBERS OF THE PANEL OF CONSULTANTS

1. Background paper for the meeting
  - A. UNIDO activities in the area of industrial policies: achievements (1968-1970);
  
2. UNIDO Work Programme
  - A. Programme of Work for 1971 (including report of activities for 1969 and updating of 1970 Programme), Part Two; Group 13; Industrial Policies and Financing.
  - B. Relevant Extracts from the Report of the Industrial Development Board: Fourth Session 20 April - 1 May, 1970.
  - C. Programme of Work for 1972 (Group 13) to be submitted to Industrial Development Board, April 1971.
3. Conference Papers prepared by UNIDO

International Symposium on Industrial Development, December 1967  
UNIDO Monographs on Industrial Development

  - A. 20 General issues of industrial policy
  - B. 18 Regional co-operation in industry
  - C. Asian Conference on Industrialization; Second Session, September 1970. Industrialization Policies: Achievements and problems encountered by member countries in the first United Nations Development Decade (1961-1970) and Policies for the Second Development Decade (1970-1980).
  
4. Field Operations
  - A. Final Report of the Industrial Development Mission to CARIFTA countries (Caribbean Free Trade Area) July 1969.
  - B. Report on Industrial Licensing System, Kuwait, February 1970.
  - C. Report of Advisory Group on Industrial Policies, Iran, July 1970, including report of Exploratory Mission (1969).
  - D. Report on policy to attract Foreign Investment, Republic of Korea, (Exploratory Mission) August 1970.

5. Training Programmes

- A. Report on Inter-regional Seminar on Incentive Policies for Industrial Development, Vienna, March 1969.
- B. Report on Inter-regional Seminar on Financial Aspects of Manufacturing Enterprises in the Public Sector, Rome, December 1969.
- C. Issue Paper and two case studies prepared for Seminar on Selected Aspects of Industrial Policy for countries served by UNFSD and IDCIS, Beirut, January 1971.

6. Studies of the Experience of Selected Countries

- A. Studies of incentive policies for industrial development
  - (i) Study outline
  - (ii) Studies of the experience of Argentina, Nigeria, Thailand and Jamaica
- B. Studies of tariff and other protection policies
  - (i) Study outline
  - (ii) Study of the experience of Nigeria
- C. Studies of the set of policies used to implement national development plans
  - (i) Study outline
  - (ii) Study of the experience of Syria
- D. Studies of the policies and institutional arrangements used to co-ordinate and control manufacturing enterprises in the public sector
  - (i) Study outline
  - (ii) Study of the experience of the United Arab Republic

7. Policies for Regional Industrial Co-operation

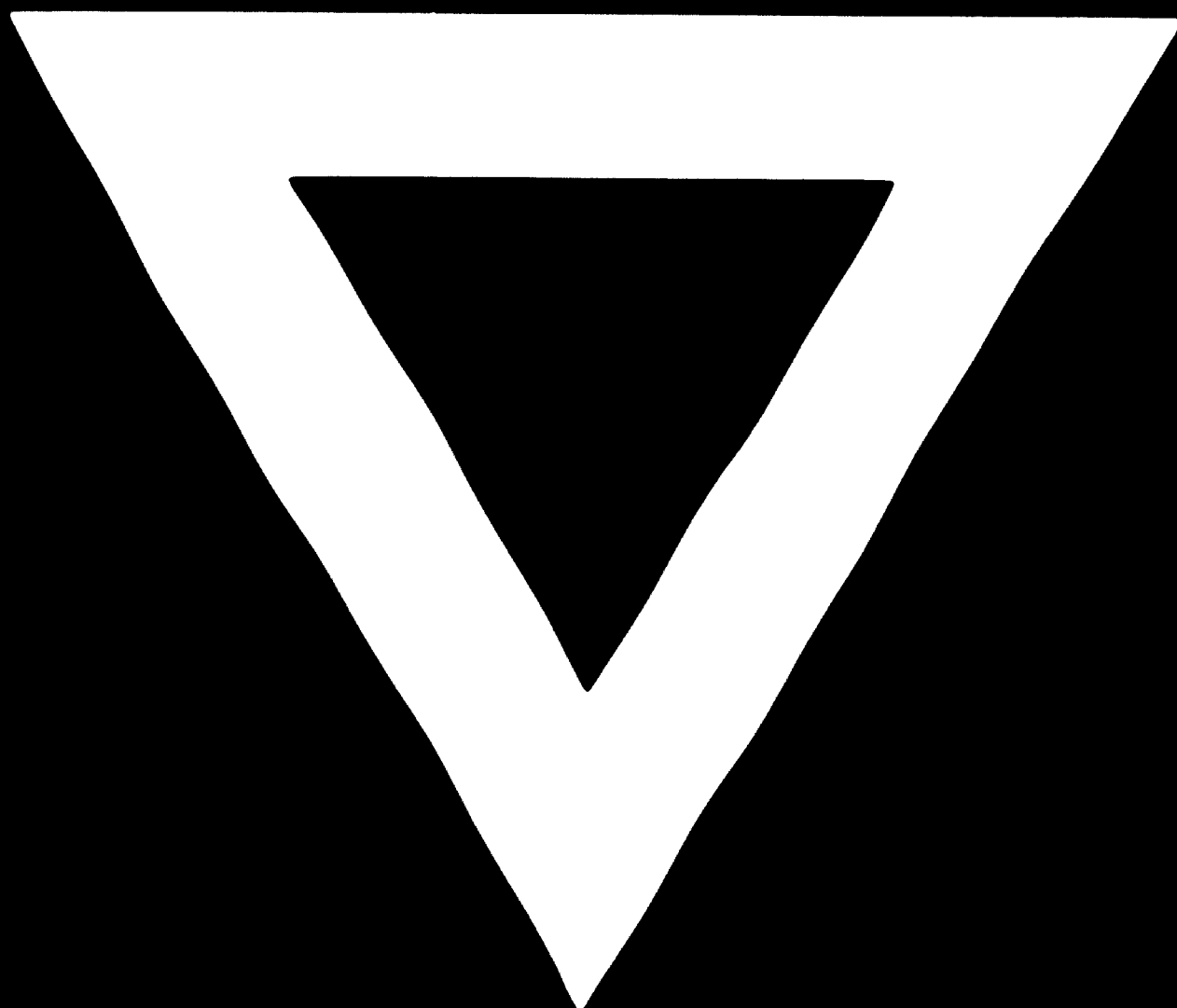
- A. Case studies of the experience of groups of developing countries
  - (i) Study outline
  - (ii) Study of the experience of TCD (Iran, Pakistan and Turkey)
- B. Working group on regional industrial co-operation
  - (i) Aide-memoire describing meeting scheduled for March 1971.



6. Publications

- A. Directory of Investment Incentives provided by developing countries
  - (1) Sheets for selected countries.
- B. Manuals on selected measures used to implement industrial policy
  - (1) Outline for Manual on tariffs and other forms of protection.





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