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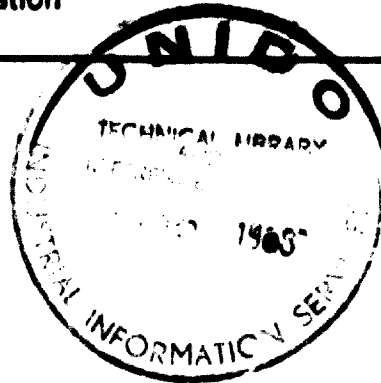
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Industrial Development Board

Second Session



SUMMARY RECORD OF THE FORTY-SECOND MEETING

Held at the Neue Hofburg, Vienna,
on Thursday, 13 April 1968, at 3.20 p.m.

President: Mr. STANDWAT (Austria)

CONTENTS

Agenda
Item

Paragraphs

-

General debate (continued)

1 - 39

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.

GENERAL DEBATE (Continued)

1. Mr. DOLLINGER (Department of Economic and Social Affairs) said that UNIDO had made substantial progress in setting up its infrastructure and defining its activities. Such progress was all the more noteworthy as UNIDO, besides having had to begin by establishing its administration, recruiting its staff and working out its programme like any other new organization, was faced, in the discharge of its tasks, with particular difficulties inherent in its special mission. Whereas other sectors of development traditionally received assistance from the public authorities, it was often believed that industrialization was adequately promoted by private initiative. Industrialization, moreover, called for more technicians and machines, a more complex infrastructure and also more foreign exchange than did most other development activities.
2. UNIDO was one of the essential links in the chain of United Nations bodies (UNDP, World Food Programme, UNCTAD, etc.) which had been set up to accelerate economic and social development. Their activities were complementary and mutually supporting. However, the many possibilities for concerted action inherent in the very diversity of those bodies had not yet been adequately exploited.
3. UNIDO could certainly make an appreciable contribution to that joint action. The second Development Decade was a co-operative endeavour that should enable the various institutions to unite their efforts and increase their assistance to member States within the international development strategy in pursuance of General Assembly resolution 2218 (XXI). The Committee for Development and Planning, which was to meet at Addis Ababa, would plan that strategy in broad outline. The various bodies concerned would then be able to draft their own programmes of action, on which the comprehensive plan would be based. UNIDO had taken part in the phase of consultation and had a role to fulfil also in carrying out that great enterprise, to ensure the success of which all United Nations bodies would have to work together.
4. Similarly UNIDO could and must share in implementing the World Plan of Action defined by the Advisory Committee on the Application of Science and Technology to Development, as industry was the area in which the transfer of scientific and technical knowledge to the developing countries was perhaps needed most.

5. It was clearly important to define the part to be played by UNIDO programmes within the over-all activities of the various United Nations bodies, both at headquarters and in the field, and the place to be assigned to those programmes. Bilateral negotiations had therefore been opened between UNIDO and the other bodies dealing with industrial development to dovetail their various activities and make the best possible use of the limited resources at their disposal. The Administrative Committee on Co-ordination had welcomed those initiatives at its meeting in April 1968.
6. Thus UNIDO seemed in fact to have an essential part to play in a vital sector of economic and social development. To use the formula which had emerged at the Athens Symposium, it was called upon to be a useful instrument of international co-operation for the industrialization of the developing countries.
7. Mr. PROBST (Switzerland) felt that the time had come to define the great tasks awaiting UNIDO. The situation of the developing countries still gave grounds for concern, and a large number of problems, particularly the world food problem, were becoming more and more acute. UNIDO would therefore have simultaneously to achieve the long-term development of viable industrial activities, and to ensure that its measures helped to solve the immediate problems. His delegation considered that industrialization projects directly linked to an increase in the yield and value of agricultural production should be accorded very high priority in the Organization's programme of work. It also considered that small-scale industry, by which production could be increased in a relatively short time, was an important factor in mobilizing the domestic resources of the developing countries and in diversifying their industry. In any case such movements should where possible be integrated in national or regional development plans, to reduce duplication and secure the best return from the available funds.
8. It was thus very necessary to pave the way at once for the integration of the industries of the relatively less advanced countries in the world economy. Collaboration between industrialized and developing countries must therefore be intensified without delay, and an appeal be made to the private sector to help the developing countries to acquire basic scientific and technological skills, to train them in various commercial and management techniques, and to give them access to new capital.

9. The mission of UNIDO would be to co-ordinate the industrial-development activities of the several United Nations agencies, and to emphasize operational activities aimed directly at a medium-term increase in industrial production. The first efforts made in this direction certainly seemed encouraging. The Swiss delegation would also like to see a reasonable degree of flexibility preserved in the financing of the Organization's activities, and well-tried methods retained. Here UNIDO would certainly play an important part as executive agent for UNDP projects. Switzerland had subscribed one million Swiss francs for training key personnel in the developing countries, and hoped thereby to encourage industrialization.
10. Mr. McCORDICK (Canada) stated that the Canadian delegation's purpose in participating in the Board's work was to help UNIDO to start on a firm footing. He hoped, however, that the Secretariat would give the Board the precise information from which it could form a more definite idea of the Organization's current and future activities. Neither the conclusions of the Athens Symposium nor the documents submitted to the Board seemed in fact to give a clear enough picture of the Organization's aims and principles.
11. In the opinion of the Canadian delegation, the principal task of UNIDO should be to bring together the mass of information on industrialization that existed in the industrialized countries and place it at the disposal of the developing countries; to assess their industrial potential and determine the fields in which they might specialize; to evaluate projects, and to give lavish technical assistance with the transmission of know-how to the developing countries. UNIDO might supplement these activities by various kinds of fundamental research, to determine, for example, the kind of technology best suited to particular developing countries. If the Executive Director could give a clear outline of the Organization's objectives under these broad headings, and of the steps being taken to achieve them, the Board would have a better idea of what the Organization meant to do to attract industrial investment to the developing countries. In that way both donors and recipients would be helped to identify profitable activities, and co-ordination of the Organization's activities with those of other institutions would be facilitated.
12. The Canadian delegation would also like to have details of the methods used by UNIDO to assess the relative importance of projects submitted to it and establish priorities for them. The members of the Board could then more easily follow the consultations which the Executive Director held with other institutions to avoid duplication.

13. The Programme of Work for 1969 which the Board was considering rightly stressed "action-oriented activities". That concern for efficiency suggested to the Canadian delegation that a specialized agency which had built up long experience in a particular field (as the International Labour Organization had in training) should be left in charge of those activities even where they impinged on industry, but that it should of course inform the Executive Director of what it was doing so that he could form a picture of the whole United Nations effort for industrialization. In any case many fields of activity were proper to UNIDO, and he hoped that it would take care not to spread its efforts too thinly.
14. Although the funds at present applied to the Organization's activities were very varied, it had been suggested that they should become even more so and that the Organization should receive voluntary contributions. They were, however, and would remain limited; so they must be put to the use of greatest benefit to the developing countries. The Canadian Government did not believe that the creation of another fund fed by voluntary contributions would be a step forward, and did not intend to take part in any UNIDO pledging conference. Canada already made substantial contributions to the regular budget of UNIDO, to the United Nations Development Programme and to other agencies such as the Asian Development Bank; a considerable proportion of those contributions was already used for industrial development.
15. The representative of Canada considered that the Board's duty was to help the Executive Director and the Secretariat to work out the best possible programme of action. It should also scrutinize the whole programme and ensure that the funds were applied in the most effective way. He therefore saw considerable merit in the appointment of an inter-sessional standing committee, open to all members of the Board, to meet between Board sessions to study the programme and help the Executive Director to shape it. Such a committee seemed the more necessary since UNIDO was now establishing a permanent operational programme.
16. Mr. ETCHATS (United Nations Development Programme) observed that during the past year the prospects of co-operation between his Programme and UNIDO had become more hopeful but a number of difficulties had emerged. Whenever rapid and effective intervention by UNIDO was needed, the existence of

special industrial services with their own funds provided jointly by UNIDO and UNDP had made it possible to achieve significant results. It was, however, imperative to recognize the recruitment problems involved in the current procedure, and not to underestimate the difficulty of finding specialists who had the required qualifications and were immediately available. Nonetheless this type of assistance remained indispensable, whether recruited under the UNIDO Programme of Special Industrial Services or the United Nations Development Programme's Technical Assistance or Special Fund. In those two sectors for which it was responsible, the UNDP had endeavoured to improve its methods so that it could better meet the numerous and changing needs of governments.

17. Study of the United Nations Development Programme showed that the number of projects entrusted to UNIDO had not increased at the rate expected. Two pilot projects concerning industry had been approved at the Governing Council's January session. The UNDP also continued to encourage the establishment of industrial institutions, such as the Centre for Industrial Studies for the Maghreb, which had just been opened and expressed the determination of the participating Governments to join in a common task with UNIDO advice to help them. The number of viability studies of the 'mini-project' type was, however, still small; and considerable efforts had also to be made in the training sector. The appointment of UNIDO to implement a project for the establishment of an in-plant training centre in Turkey showed recognition of the part that it could play in this sector. Regional, inter-regional or even intercontinental schemes might be adopted to improve steadily the industrial productivity of the developing countries.

18. The work of UNIDO was not to replace that of the specialized agencies but on the contrary to supplement and support it. In many branches close co-operation was necessary between UNIDO and other United Nations bodies, such as the UNDP itself, the regional economic commissions, UNCTAD, the ILO and FAO. Industrialization could clearly have no meaning unless integrated into a comprehensive development programme.

19. The UNDP would support UNIDO in its efforts to find an effective scheme of assistance with industrialization and to devise ways of financing projects. Co-operation between the two bodies was bound to improve progressively and lead to a genuine joint programming which in turn would become part of the wider movement, to which UNDP attached particular importance, towards joint development programming.

20. Mr. LY AN (International Labour Organization) expressed his satisfaction that UNIDO was now established in Vienna. The geographical proximity of UNIDO and ILO would help them to work together. They had in fact begun to co-operate over the Athens Symposium, for which ILO had drafted the reports on industrial manpower with UNIDO and the parallel Industrial Promotion Service. The documents submitted to the present session, especially the report of the International Symposium on Industrial Development (item 5 of the agenda) testified to the substantial progress that had been made. That first joint effort showed that the parts played by the two agencies in the key-process of industrialization were already being reorientated and replanned. By their joint efforts they could contribute more effectively to solution of the social and economic problems of industrialization in developing countries.

21. In that spirit of co-operation the Executive Directors of the two agencies had approved on 3 April a collection of guidelines for future co-operation between ILO and UNIDO. The officers responsible for setting up the machinery for implementing those guidelines had already been appointed; and the two agencies would now decide jointly not only on new activities but also on the reinforcement of projects already in hand. They would introduce new factors into those after consulting the UNDP and the governments concerned to ensure that the best use would be made of the available resources.

22. By that co-operation between the two agencies' Secretariats, they should now be able to draft an agreement based on practical experience and a realistic assessment of the contribution which each of them could make towards industrialization. National organizations would be established for industrial management, productivity and small industries. It had been agreed that the two Executive Directors should study jointly, when the Economic and Social Council met in July, the progress achieved in applying those practical measures.

23. The two Executive Directors had also discussed two other very important areas of collaboration. Although not covered by the agreement he had just mentioned, they had top priority in ILO activities and directly concerned the programmes of UNIDO and other United Nations agencies. The first was the Turin Centre, an international institution for advanced training established through the generosity of the Italian Government with the financial participation of

other States Members of the International Labour Organization. The Centre had the most modern facilities and equipment. It offered a wide range of special advanced training courses supported by UNDP fellowships, and had just launched a new programme of management training sponsored by Cornell University, in the United States. UNIDO and several other United Nations agencies were represented on its governing body and concrete proposals for collaboration, particularly with UNIDO, had been made by its director for the implementation of the programme for the establishment of international industrial institutions, which the Board was to discuss under agenda item 7.

24. The second sector was that of employment. At the celebration of the 50th Anniversary of the ILO in 1969 the Director-General would announce a World Employment Development Programme, which would for several years be the focal point of ILO activities. Employment still remained the key problem to be solved within all efforts for the economic and social development of the developing countries. In spite of those efforts the number of new jobs offered fell far short of the available manpower, and the solution of that problem demanded the attention of all governments and the co-ordinated effort of all United Nations agencies.

25. In its search for a solution the ILO had, at the request of its regional bodies, drawn up regional employment plans and begun to implement them in Latin America and Asia. Those were inter-agency plans for manpower, education, the training and use of manpower, and investment and development in both agriculture and industry. The plan for Latin America, the "Ottawa Plan", was at an advanced stage of implementation and had received material support from such institutions as UNESCO, FAO, ECLA-ILCES, and the Inter-American Development Bank. The OAS and UNICEF were likewise contemplating participation. The Asian Plan also should benefit from the participation of numerous agencies. UNIDO could make an important contribution to the execution of these plans, in its own interest and that of the ILO.

26. He assured the members of the Board of the full support of the ILO. Concordance of industrialization and social policy was vital to the success of all economic development plans to which both organizations were irrevocably committed.

27. Dr. ATEN (Food and Agriculture Organization of the United Nations) emphasized that industrial development based on the processing of agricultural raw materials had appeared in the Budget and Programme of Work of FAO since its foundation. FAO had continued its industrial development activities through 1967 and was for the second time submitting a report on them to UNIDO (ID/B/23/Add.3).
28. The report contained a list of field action projects carried out by FAO at the request of the governments concerned. Most of those projects were executed with the co-operation and financial support of the UNDP Special Fund. FAO was also operating with funds from the UNDP Technical Assistance sector a number of projects referred to in the 1967 Annual Report. The pre-investment projects undertaken under the Special Fund alone represented an annual expenditure of more than US 10 million, one-third of all the UNDP/SP projects executed by FAO.
29. With regard to the Regular Programme, the Board would find in the Annual Report information on such matters as the Indicative World Plan, which would enable members to observe the progress achieved in the integration of agricultural-industrial development based on agriculture, forestry and fisheries.
30. The Report also contained an account of the FAO study tours, seminars and Advisory Committee meetings, the programmes of co-operation between FAO and the World Bank and other development banks, and the FAO/Industry Co-operative Programme. Activities under that programme, though largely project-oriented, did not neglect the exchange of ideas and knowledge in technical areas of mutual interest. Through the Programme, industry had shown interest in a number of UNDP/FAO projects that had been completed by the end of 1967 and in which further investment was being made. The fourteenth FAO Conference had emphasized the need for close co-operation with UNIDO and had welcomed the efforts being made to enable the two organizations to pursue their respective activities in industry without any risk of duplication. Accordingly the FAO Conference hoped that the bilateral discussions would make it possible to demarcate the areas of activity of the two organizations, and hoped to receive proposals for joint action on common ground. General Assembly resolution 2152 (XVI) invited the Secretary-General of the United Nations to arrange for co-ordination between UNIDO and the other specialized agencies and bodies of the United Nations. The Administrative

Committee on Co-ordination had also drawn attention to the need for bilateral consultations to define the conditions of long-term co-operation.

31. In February 1968 informal and exploratory consultations held between the Director-General of FAO and the Executive Director of UNIDO had revealed the need for certain adjustments on both sides to concord their activities in industry in the best interests of the developing countries.

32. In the consultations certain areas had been identified as offering immediate scope for joint action led by UNIDO. It had been agreed that senior officers of the two organizations should meet as soon as possible to develop practical programmes of co-operation in those areas and submit them to their organizations. The Director-General and the Executive Director recognized that more complex problems of co-operation arose in industries using renewable raw materials coming from the farm, the forest and the sea.

33. The Director-General of FAO and the Executive Director of UNIDO felt that fragmentation of operations should be avoided when the planning, development and management of production were inseparably linked with the industries based on it, for example in the processing of raw materials derived from agriculture, animal husbandry, forestry and fisheries. Closer studies must be made in those areas before the respective responsibilities of the organizations could be demarcated and the areas for joint action identified. Pending such studies, certain general principles had been adopted.

34. A preliminary statement based on those principles, showed for each agricultural commodity the different stages of processing which should continue to be handled by FAO and the further stages of processing which should be handled by UNIDO, and defined the areas for joint action in which one organization would assume primary and the other participating responsibility.

35. During the consultations it had been agreed that FAO and UNIDO should study the statement on relations between the two organizations in the light of additional information on Special Fund projects, technical assistance programmes and other projects handled by both organizations. Further meetings would be held to review the experience gained in following the interim guidelines and to define before the end of 1968 a working arrangement under which there might be an exchange of liaison officers and a continuous exchange between the two

organizations in the hope of enhancing international efforts in industrial development.

36. Mr. SIBI (Ivory Coast) considered that the first task of UNIDO was to define its own particular function and procedure for co-operation with the other institutions and bodies that had been active in industrial development before its establishment. At the first session of the Board, representatives of developing countries had pointed out that, without neglect of research priority must be given to operational activities. They had stated that UNIDO should achieve financial autonomy, and had invited the developed countries to take part in a pledging conference for financial contributions. They had also emphasized that UNIDO should arrange the financing of industrial-development plans in the less advanced countries.

37. The developing countries had spared no effort to speed industrialization, and as early as 1959 the Ivory Coast had completed an Investment Code to attract foreign capital. Because of the liberal principles the Ivory Coast had adopted, it had achieved considerable results; nevertheless it still encountered certain difficulties common to all developing countries: the low volume of local savings, the small size of the market and the lack of economies of scale. It had therefore endeavoured to diversify its output and to set up import-substituting industries and industries to process local agricultural products.

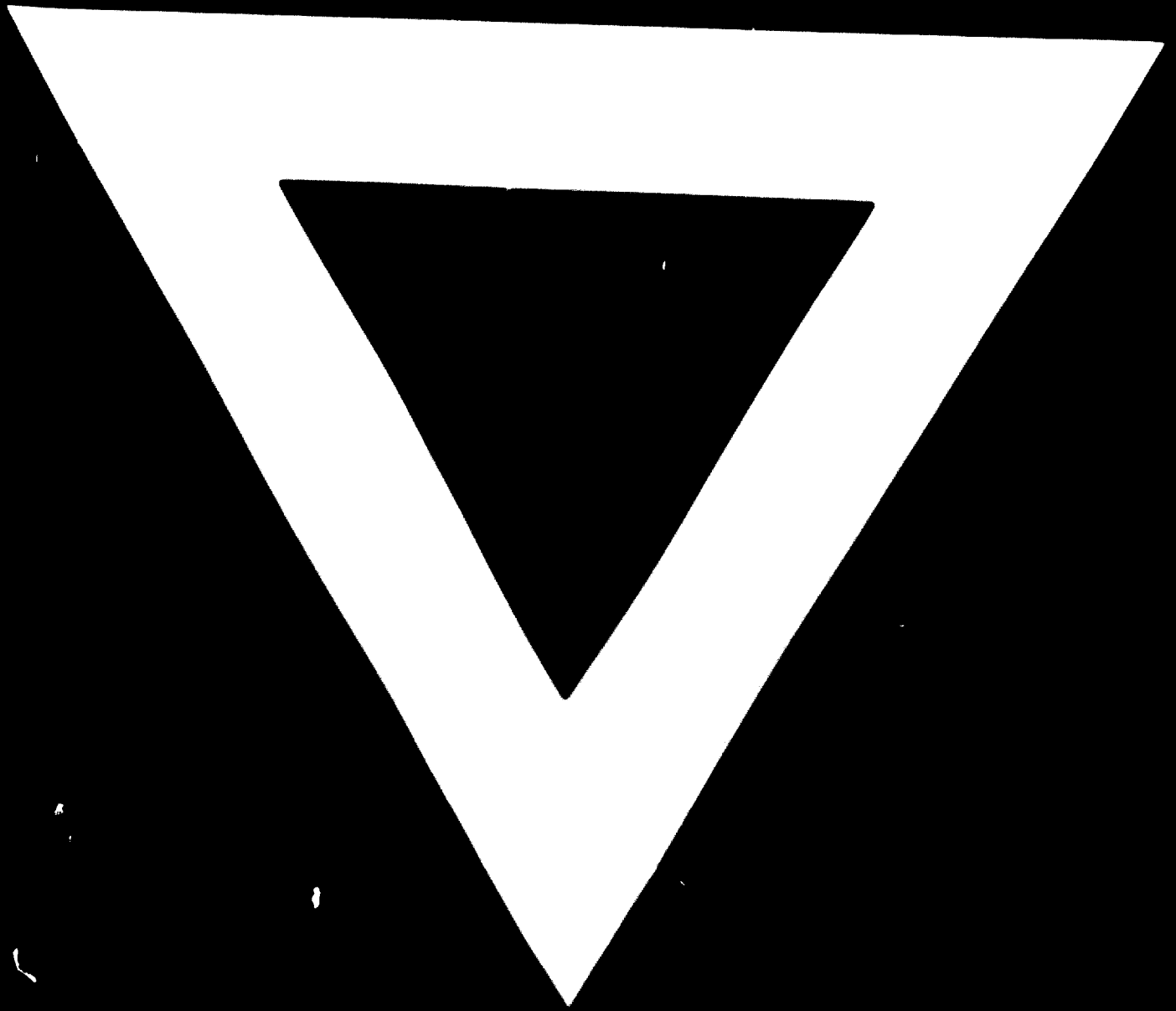
38. These efforts could not, however, yield any results unless international organizations and the developed countries gave both public and private aid. The need for such international co-operation had been pointed out at the Athens Symposium and later at New Delhi, and the Ivory Coast delegation had drawn attention to the part to be played by the World Bank, which should devote itself mainly, though not exclusively, to participation in financing the development plans of the less advanced countries. Perhaps also the developing countries would use the special drawing rights of the International Monetary Fund to finance their economic and industrial progress.

39. The Ivory Coast delegation had on several occasions, at Athens and in New York, dwelt on the difficulties experienced by the developing countries in

obtaining capital goods on favourable terms in the markets of the developed countries. It considered that the foundation of the Central Industrial Information Service might lead to the establishment of an international tender system for capital goods, operating under UNIDO control.

The meeting rose at 4.55 p.m.





1 . 8 . 74