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*for a sustainable future*

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United Nations Industrial Development Organization

## Industrial Development Board

Third Session  
Vienna, 24 April - 15 May 1969

### SUMMARY RECORD OF THE SIXTY-FOURTH MEETING

Held at the Neue Hofburg, Vienna,  
on Friday, 25 April 1969, at 10.30 a.m.

President: Mr. OTIZ de ROZAS (Argentina)  
Rapporteur: Mr. BILLNER (Sweden)

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**We regret that some of the pages in the microfiche copy of this report may not be up to the proper legibility standards, even though the best possible copy was used for preparing the master fiche.**

## GENERAL DEBATE



1. Mr. ABDEL-RAHMAN (Executive Director) announced that, contrary to the practice followed in earlier sessions, the general discussion would not open with a statement from the Executive Director. In view of the work already done by the Working Group on Programme and Co-ordination - whose report was in itself an introduction to the activities of UNIDO - he did not think any useful purpose would be served by a statement from him at that point; and he would wait to speak at the end of the discussion in order to reply to all the questions put to him.
2. Mr. KOLO (Nigeria) said that the very valuable session of the Working Group on Programme and Co-ordination had greatly eased the Board's task. There was therefore no need to re-examine the record of UNIDO activities, and his delegation would merely comment on general questions submitted for the Board's consideration.
3. General Assembly resolution 2152 (XXI) gave UNIDO the chief part in reviewing and promoting the co-ordination of all activities of the United Nations system in industrial development. Though the Organization had made considerable progress in co-ordination and harmonization, there was nevertheless still a certain amount of overlapping. It was vitally necessary to avoid that, since the limited resources available to UNIDO and other organizations must be expended as judiciously as possible. He was confident, however, that the Executive Director and his counterparts in the other organizations would agree on the outstanding issues, and expressed his satisfaction with the collaboration in export promotion which was taking place between UNIDO and the UNCTAD/GATT International Trade Centre.
4. The programme drawn up for 1970 and after was modest and UNIDO should give higher priority to projects that benefitted developing countries directly, such as the processing of agricultural products, particularly food, wood and simple manufactures. On the other hand, minor projects like coin minting should be firmly put aside.
5. UNIDO could not fulfil its responsibilities without adequate funds. He therefore urged the socialist and western European countries to participate in the second Pledging Conference so that the ever-growing needs of the developing countries could be met.

6. The operations of UNIDO in the developing countries were constantly expanding, and UNDP ought to allot more resources to the Organization so that it might increase the number of its field officers and find a means of replenishing the funds devoted to the Special Industrial Services. Experience had shown that the Organization's fundamental financial problems arose from its dependence on other bodies for money. It must gain financial independence if it were to play an effective part.
7. The importance of the Organization's part in the Second Development Decade could not be over-emphasized; its role was still limited and it should concentrate all its efforts during the Decade on viable and modest schemes. Its contribution should be continuous and should be developed and improved according to the circumstances as the years went by. Small-scale industries, training of experts at all levels, especially in the middle grades, and research should have top priority.
8. His delegation still believed that, to prevent frivolous requests, the local costs of the Organization's technical assistance for developing countries should be borne by the recipients. He agreed with the Executive Director that short-term missions not exceeding four months sent under the Special Industrial Services programme should be financed by UNIDO.
9. The problems confronting UNIDO in recruiting experts and personnel had now been eased; but greater use should be made of local experts, and the composition of the Secretariat, particularly in the higher grades, should more adequately reflect the geographical distribution of the Members.
10. The Board might well limit the length of future annual sessions to three weeks. In the first week the Working Group would meet alone to consider the programme of activities; in the second week the Board would hold a general debate while the Working Group continued to meet; and in the third week the Board would consider the Working Group's report.
11. Mr. SIERRANO (Chile) said that his country, which was sparing no effort to secure satisfactory economic and social development, considered UNIDO and generally all the organizations and bodies linked with the United Nations to be the best means of achieving the broad co-operation necessary to overcome the developing countries'

difficulties. The economic, political and cultural interdependence of all countries meant that UNIDO must play a fundamental role in vertical and horizontal industrial development, so that every country could develop under the most equitable conditions. The technical assistance provided by UNIDO was a vital contribution to the scientific and technological progress on which development must be founded.

12. UNIDO had been born out of the need to bring together all the activities concerning industrial development under the authority of a single body. It must, however, work together with the other organizations connected with the United Nations, such as UNCTAD, GATT, WHO, the Regional Economic Commissions, FAO, ILO, UNESOB and UNESCO, and must strive in full collaboration with them to avoid duplication and overlapping. They had been set up to serve the interests of their member countries, and when needs changed their structures should be reviewed. As UNIDO had been set up to deal specifically with industrial development, its existing structures would have to be changed and staff might even have to be transferred from one organization to another. That was a matter for due consideration when the Second Development Decade began.

13. Attention must also be paid to the difficulties encountered in recruiting experts. Much of UNIDO's work depended on the success of such recruitment, the machinery of which should be simplified and centralized while at the same time, and above all, its sources should be diversified. The importance of entrusting the examination of certain types of requests for assistance to specialized firms could not be over-emphasized. Moreover, when a country requested the services of an expert, UNIDO should give a quicker reply about its action on the request even before the expert had been recruited; for it was essential for the country to be informed as soon as possible how matters stood, in order that it might make other arrangements if its application could not be accepted. Perhaps that result could be achieved in certain cases by giving the regional advisers wider powers of decision.

14. The appointment of regional advisers had been a considerable step forward, for they helped considerably in speeding the formulation and improving the direction of requests for assistance. It had been observed that the close contacts they maintained with the national committees for UNIDO and with the competent government departments had enabled the maximum advantage to be derived from technical assistance. UNIDO should thus, as it already planned to do, increase the number of regional advisers by enlisting the services of the qualified officials already working in bodies such as the regional economic commissions. Resolution 5 (11) on that subject, adopted by the Board at its second session, was relevant.

15. The question of financial resources had already been considered by members of the Board at previous meetings. At the second session of the Board, for example, the hope had been expressed that UNIDO could be made financially independent and that the developed countries would take an active part in the Pledging Conference. It was particularly important to increase the financial resources allocated to the Special Industrial Services programme, which, because of the way in which it is operated, attracts a substantial portion of the requests for assistance which need to be dealt with in a very flexible manner.

16. The considerable efforts made by Chile in industrial development were absorbing considerable national resources and also required substantial external aid, so that requests for assistance from UNIDO were likely to increase. It was thus extremely important to establish national committees to co-operate with UNIDO, and it would be necessary to ensure a steady exchange of information between them and Headquarters. In fact, the success of the work of organizations like UNIDO depended in large measure on adequate information, giving potential beneficiaries a clear idea of the opportunities available to them. The problem of information ought to be considered under three heads: information for public release, information for national committees, and technical information. The type of information should be adapted to the objectives and to those whom it was desired to reach.

17. The Chilean Government attached special importance to the financing by UNIDO in 1968 of several projects relating to the establishment of technical research bodies, and to the increase in the number of requests for assistance with quality control and with repair and maintenance. UNIDO should draw up a permanent programme for technical research and quality control, possibly in close co-operation with UNESCO.

18. Bearing in mind the extreme importance for the developing countries of the promotion of exports, particularly of manufactured articles, the Chilean delegation was especially interested in the work in that direction done by UNIDO with UNCTAD and GATT; but it was somewhat disappointed to note that such work amounted to no more than 0.3 per cent of UNIDO's overall programme. UNIDO should launch a promotional campaign in the developing countries to encourage them to adopt measures in a field so vital to the balance of payments and industrial development. However, the promotion of exports was not in itself sufficient: products must be adapted to markets and marketed, and producers must be informed of the customs duties payable in the importing countries. It would therefore be appropriate to undertake a study on the feasibility of setting up within UNIDO some permanent machinery which, in conjunction with UNCTAD and GATT, would assist countries to open export markets.

19. At the Board's second session the desirability of specializing the industrialization of the developing countries had been discussed in depth and it had been stated that industrialization should be directed towards meeting immediate needs. Those criteria, however, appeared over-simplified. National strategies for industrial development varied considerably according to each country's particular situation. Moreover, efforts should be made to achieve regional or multi-regional industrial complementarity governed by justice and reciprocity. Three noteworthy ideas had been put forward at the second session of the Board: the need to stimulate co-operation between the developing countries, to invite the developed countries to supply detailed information on their collaboration with the developing countries, and to request UNIDO to assist the developing countries to define a strategy for industrialization.



20. In addition, UNIDO should not only organize regular technical meetings like that of 1968, which had brought together representatives from the developing countries and from capital-exporting institutions or countries, but should also set up permanent machinery to enable countries to establish contact with possible investors without having to wait for a meeting.
21. Assessment of the work accomplished by UNIDO in 1968 has been limited to a report on its implementation of UNDP projects (ID/B/43, Annex 71). If the effectiveness of UNIDO's activities was to be increased, a systematic continuing programme for the assessment of all its work should be set up to determine the degree to which its objectives had been achieved.
22. The Symposia and conferences organized by UNIDO were most valuable; the Athens Symposium in particular had achieved excellent results. In preparation for the Second Development Decade, UNIDO should draw up a global strategy based on directives given by the Board. That strategy might follow the general lines laid down at the Symposium and also if necessary at an extraordinary conference attended by all member States.
23. Mr. BABU (Tanzania) told the Board that the Government of Tanzania was concerned to ensure the success of UNIDO as an effective instrument for industrial development, and in accordance with the recommendation of the UNIDO Athens Symposium in 1967 had set up a national committee for UNIDO. There already existed in Tanzania, an Industrial Studies and Development Centre, which played by its work an important part as a catalyst in the country's economic development. UNIDO assistance in setting up similar centres in other developing countries could be of great benefit to them.
24. UNIDO could play a greater part in technical assistance by sending manpower and technical experts to developing countries. That work was going to be of crucial importance in the next ten years, and it would be necessary radically to change the procedure for recruitment and assignment of experts, since the bureaucracy between Vienna and New York considerably reduced their effective working time. It was therefore desirable that UNIDO should no longer have to refer decisions to New York but should itself have full power to appoint staff to missions.

25. In view of the importance of management and training programmes for the developing countries, UNIDO should increase the number of seminars, symposia and training programmes organized on the model of the workshop on financial planning for industrial enterprises which had met recently at Dar-es-Salaam and proved extremely fruitful for all participants from various African countries. UNIDO should encourage activities of this kind, dealing not with theoretical questions but with the practical problems and issues of developing countries, and should study the needs of the different regions and recommend the organization of similar workshops.

26. Numerous developing countries had requested the establishment of regional or sub-regional offices. If these were to act in all matters requiring immediate attention, they must be staffed by experts fully conversant with the problems of the region and able to suggest ways in which UNIDO could assist. Since the staff of these offices would also be required to advise governments on specific problems, they must be experienced technicians. In addition, the work of the UNIDO offices would have to be co-ordinated with that of the United Nations regional economic commissions.

27. Since the agriculture of Tanzania was still backward in industrial development and many members had expressed opposite views on the development of rural areas, it would be most useful if UNIDO carried out a systematic study of that sector and recommended alternative development programmes to the member States concerned.

28. With regard to the development of small-scale industries, which was linked to the development of rural areas, the Tanzanian delegation wished to repeat the recommendations it had submitted to the Athens Symposium in 1967. It hoped that UNIDO would consider assisting the developing countries by (a) financing the foreign exchange cost of establishing industrial workshops and estates; (b) mobilising the necessary personnel to direct and train local counterparts in such establishments; (c) encouraging advanced nations to give bilateral aid to small-scale projects; and (d) giving financial support to governments and institutions promoting the development of small-scale industries.

29. In formulating criteria for the establishment of priorities of industrial projects, there was always the problem of choosing between capital-intensive and labour-intensive projects. UNIDO could very effectively assist that choice by preparing a catalogue of labour-intensive projects and by carrying out systematic studies of cases in which projects of both types could be combined in the most rational manner, thereby permitting the developing countries to make the best use of their scarce foreign exchange.

30. UNIDO could also play a part in common markets like the East African Common Market, of which Tanzania was a member. It could advise them on methods and procedures for allocating industries and on the way in which the profits and gains of each member State could be balanced. UNIDO ought therefore to assist actively the members of those common markets to establish comprehensive programmes of their industrial potential, and to recommend appropriate strategy.

31. UNIDO ought also to have a clearing-house to collect and disseminate industrial information, which would help most developing countries to import more suitable and less costly equipment.

32. The problem in planning, programming, evaluation and implementation of projects was to collect the statistics indispensable in any planning operation. UNIDO should therefore assist developing countries, whose plans and programmes were often defective for lack of correct data, to collect complete statistics on their industrial and other activities and to use them to the best advantage. UNIDO might also assist in the choice of planning techniques.

33. With regard to financial management and business administration, his delegation considered that the problem of training for management was also vital. There too UNIDO could usefully advise developing countries on the various projects included in their plans.

34. The main problem in the production of exportable commodities was competition in developed markets. UNCTAD might therefore conduct a comprehensive study on cost structure in new countries, and could then advise developing countries on how to reduce costs in order to compete. It should also continue to inquire into the various methods of assistance to exporters used in other countries, and to make a world-wide study of instruments for helping exporters.

35. Co-ordination, as the delegation of Tanzania knew from its own experience, was difficult to achieve, and a young organization like UNCTAD should be given every opportunity to grow into an effective instrument of development in the sense of General Assembly resolution 2152 (XXI).

36. Mr. DIAWARA (Ivory Coast) considered that no real and durable progress could be made until industrialization enabled developing countries to utilize natural resources from their soil or sub-soil either for export or for home consumption. During the Second United Nations Development Decade attention would be focussed primarily on industrialization, in which some worthwhile results had already been obtained by certain countries. For instance, the Ivory Coast had tripled the value of its industrial production between 1960 and 1967 and its income per head had risen from 140 to more than 200 dollars. Problems continued, however, to arise, and it could not yet be said that the "take-off point" had been reached. In fact, the great majority of the newly-created industries were producing mass-consumption articles from raw materials or imported semi-finished products so as to replace goods previously imported for the home market. While such enterprises admittedly created employment and saved foreign exchange, their expansion was very soon restricted by the narrowness of markets and the low purchasing power of consumers.

37. Moreover, much of the natural resources of developing countries was still exported crude to supply the industry of advanced countries. In a country like the Ivory Coast, which according to present knowledge had virtually no mineral resources, exploitation of the main vegetable resources would engender an industrial expansion far greater than that derived solely from the manufacture of products to replace imports.

38. We also noted that the share of the total investment in the management and running of enterprises and of fixed capital investment concentrated heavily on the hands of the national staff and capital. Without a steady inflow of foreign finance, countries had given the industrializing process the critical help of a worker which, like the Ivory Coast, were short of both money and technicians, they could not by themselves form a solid base for a national industry. If the developing countries were to maintain a satisfactory rate of growth, they would have to continue for some time yet to use outside sources of finance, and thus would have to offer investors satisfactory profitability and security conditions. Measures for attracting investment had been taken by developing countries and by the World Bank; those efforts should be continued and, in particular, the World Bank should be encouraged to set up an international investment insurance agency. UNIDO could usefully collaborate in the establishment and implementation of such a project. It would be equally useful to organize meetings between the representatives of public and private financing bodies and the representatives of developing countries, according to the formula used for the first time in Amsterdam in February 1969 at the meeting of the Study Group on investment sponsored by the United Nations Economic and Social Council. The World Bank and UNIDO might also assist developing countries to obtain capital on the international market in the form of long-term low-interest loans.

39. Financing was not the only problem raised by industrialization, and the developing countries must be able to arrange for the training of national technical personnel for their enterprises. To meet that need a symposium had been arranged in Abidjan in April 1969 by the Common Afr-Malagasy Organization (OCAM). That symposium, in which representatives of foreign investors had taken part, had formulated the principles that should be followed in order to secure effective Africanization of the staff of enterprises of the member countries of OCAM: the structural reorganization of enterprises shaped by legal and economic factors now mostly out of date, the adaptation of national educational and training systems and the programming of personnel requirements and corresponding investments, and the in-plant and out-plant training of personnel, with UNIDO's assistance, by training courses, fellowships or the establishment of regional training and upgrading centres.

The expansion of industrial production and the liberalization of international trade were proving critical because of the smallness of national markets and the preponderance of interest in markets of the products of the advanced countries. Finding outlets for production was perhaps the most serious problem facing the industries of the developing countries. In practice the conclusion of bilateral or multilateral agreements might facilitate the solution of the problem, but it was at the level of the enterprises themselves that the real elements of a solution were to be found. The twinning of enterprises, for example, could help to provide the industries of developing countries with the efficient management which was essential if they were to be competitive, and the making of sub-contracting agreements would make possible the establishment of the intermediate industries without which there could be no real industrialization. With no wish to reserve special fields of industrial production for the developing countries, it must surely be possible to mark out sectors in which their favourable production conditions would give them a special industrial vocation whose development it would be perfectly normal to foster.

41. To solve the problems of industrialization was a long-term task, and UNIDO could make a decisive contribution by drawing up an overall strategy and taking direct action in specific fields.

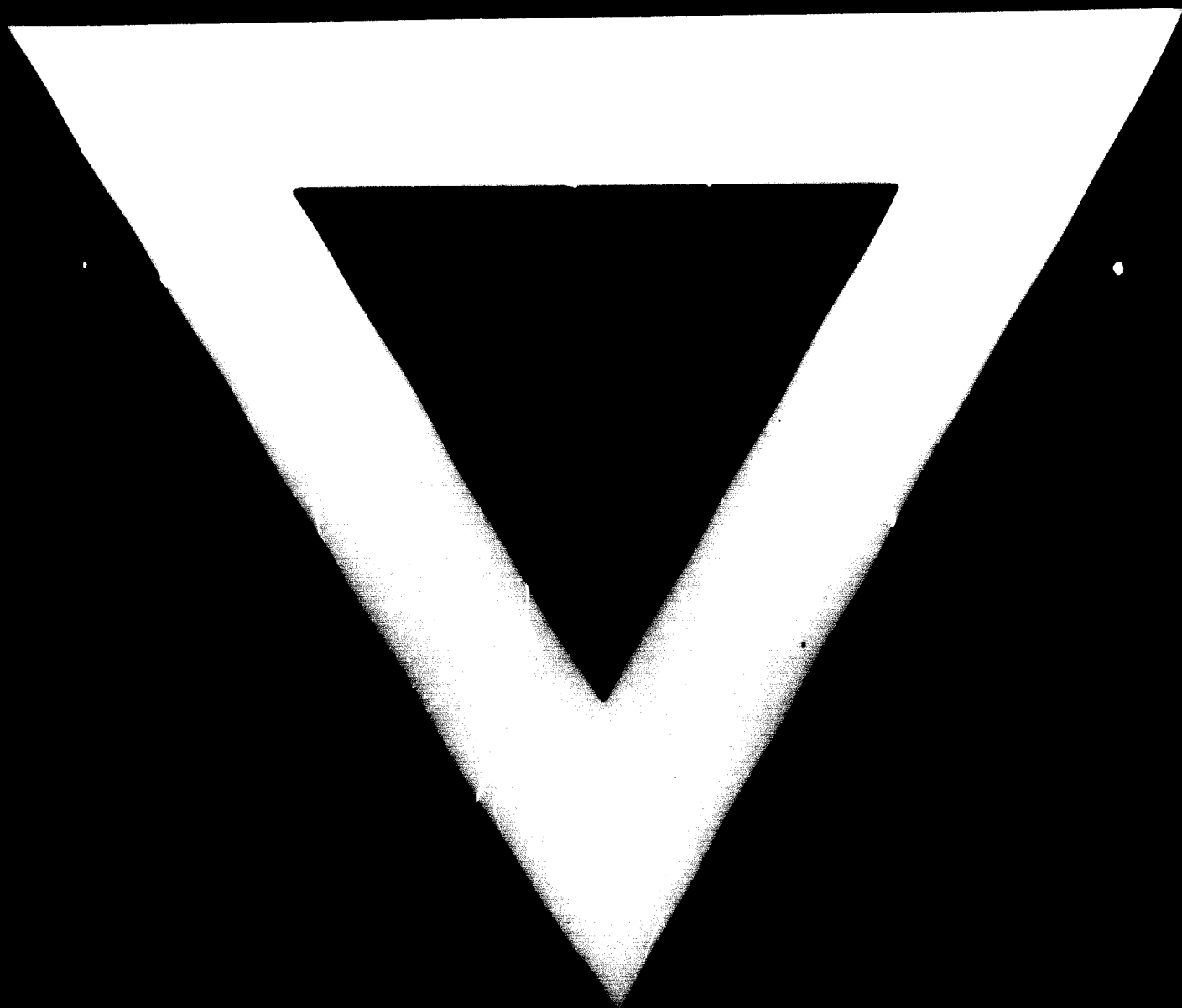
42. Mr. ELFRAT, Observer (Afro-Asian Organisation for Economic Co-operation), spoke of the part taken by his organization in the activities of the Centre for Industrial Development and later of UNIDO, of which an account was given in document ID/B/61 submitted by the secretariat.

43. AFRASAC (the Afro-Asian Organisation for Economic Co-operation) had no political aim, and was solely concerned to defend its members' economic interests; it had earned the respect and confidence of all national and international organizations interested in the economic development of Afro-Asian countries, and intended to strengthen its ties with UNIDO and reinforce their mutual understanding and co-operation.

47. At the Athens Symposium, AFRASAC had already emphasized the collaboration that its members could offer UNIDO in specific fields and for well-defined tasks. The next step was to widen that collaboration and make good use of the institutional arrangements which had already worked very well in promoting technical co-operation at national, regional and international levels. The first Afro-Asian Conference on the Development of Small Industries had just completed its work, to which the representatives of UNIDO and other United Nations specialized agencies, in particular EAC and the ILC, had made valuable contributions. AFRASAC welcomed the decision taken by UNIDO to organize the first international investment promotion meeting at Tangier, which would enable representatives of African enterprises to meet industrialists from advanced countries desiring to contribute to the industrialization of Africa.

The meeting rose at 11.40 a.m.





**16. 7. 74**