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*for a sustainable future*

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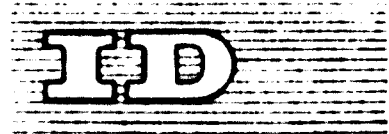
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## Industrial Development Board

Third Session

Vienna, 24 April - 15 May 1969

### SUMMARY RECORD OF THE SIXTY-FIFTH MEETING

Hold at the Neue Hofburg, Vienna,  
on Friday, 25 April 1969, at 3.30 p.m.

<u>President:</u>	Mr. CRTEZ de ROZAS (Argentina)
<u>Reporters:</u>	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 (continued)

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1. Mr. HENRY (United Nations Development Programme) said that, over the many years during which UNDP and its predecessors, the United Nations Special Fund and the Expanded Programme of Technical Assistance, had been in operation, considerable experience had been accumulated with regard to financing and operational programmes.
2. The size of the Programme was limited, firstly, by the financial resources available to UNDP. In 1969 the Programme had for the first time attained the level of \$200 million of voluntary contributions, which had to cover the costs of the Special Fund component, administration and the Technical Assistance component. The second limiting factor was the capacity of recipient Governments to absorb international assistance. In that regard, UNDP had decided that new methods were perhaps required to help Governments absorb such assistance. Thirdly, there was the capacity of the executing agencies to handle projects.
3. The projects financed by UNDP were national projects, not the projects of participating agencies. Hence the importance of the question of absorption of assistance by the countries concerned. With regard to the problem of the counter-part contribution of recipient Governments, UNDP felt that provision should be made for close co-operation in a flexible form, between national and international funds and between services from outside and services provided by the Government varying according to requirements.
4. The procedures followed up to now were rather cumbersome, but they had had the advantage of consecrating the idea of co-operation between national agencies and international agencies. That idea had become fully accepted by Governments, but they naturally wished a critical examination to be made of each project and the respective proportions with regard to costs and services. Procedures needed to be streamlined and made more flexible with due regard, however, to the fundamental question of support from the beneficiary Government.
5. With regard to "international" projects also - i.e. those which were in interest to several countries in a region or to many countries in different regions - the present procedures needed to be made more flexible. In particular, UNDP considered that training and research were areas of activity in which it was essential to find a new formula which permitted financing adapted to needs and which did not necessarily require the cumbersome and complicated procedure of national requests regarding each item.

6. With regard to industrial development, the Governing Council of UNDP had approved or was expected to approve a Special Fund contribution to UNDP of some \$35 million which, together with governmental contributions, represented a mobilization of around \$70 million for development projects. Seven projects for UNIDO would be submitted to the Governing Council for approval at its June session. If approved they would bring the total Special Fund contribution for 1967 for projects to be executed by UNIDO to around \$10 million. The proportion of projects for UNIDO would be 15 per cent. There had been an increase in the number of requests approved, and it was to be hoped that the procedures for joint consultation and programming would mean that the number would continue to increase.

7. With regard to the preparation of the Programme, it should be recalled that no project could come into being without a request by a Government through the Resident Representative. In that respect, UNDP wished to praise the active role played by the industrial advisers appointed by UNIDO who had already improved industrial programming considerably and assisted Resident Representatives in a field which was often new to them. There was clearly a direct relation between the increase in the number of projects submitted for approval and the activity of industrial advisers. It was therefore reasonable to think that the Programme would increase in scope and become fully integrated with the programming of each country.

8. At the recent regional meeting at Santiago in Chile, he had had the opportunity to review, together with the Resident Representatives of the region and accredited representatives of international organizations, the whole of UNDP's programming in Latin America. The comments had been favourable, and it had been recognized that proper planning was now possible at the national level and would soon be possible at the regional level. The order of progression should be programming at the national level, co-ordination at the regional level and co-ordination at the world level. In all joint international programming industrial advisers had a key role to play.

9. That did not mean that the question of programming procedures had been fully solved. Firstly, there were still a series of projects at the world level which could not be dealt with at the regional level, and, secondly, there were certain financial limits, so that it was still impossible to satisfy all needs.

10. UNDP had noted, in UNIDO's programming, some very interesting ideas which had already been discussed in meetings between UNDP officials and UNIDO Representatives. Some of the ideas deserved unqualified support, such as the stress placed by UNIDO on questions of training, which were of great interest to the UNDP Administrator. UNDP had already made it clear that it welcomed all suggestions for improving and accelerating the training of personnel in developing countries, especially in the industrial field. New types of projects were under consideration, in which the usual proportions between the training, expertise and equipment components would be modified. In addition, UNIDO had given due consideration to the question of the repair and maintenance of equipment. UNDP fully supported UNIDO's efforts in that regard.
11. The Governing Council of UNDP had approved three pilot projects. The details still had to be worked out, but the Council had in principle agreed that UNDP funds should be used to purchase equipment which would be utilized for industrial demonstration. It was to be hoped that the Governments of developing countries would take full advantage of the opportunities being offered.
12. The Administrator of UNDP, as a co-administrator of the Special Industrial Services programme, could vouch for the usefulness of that programme, which had the advantages of flexibility and speed. UNDP would like to introduce those advantages increasingly in its own procedures relating to Special Fund projects. Concern had been expressed with regard to the future of the SIS programme. The future of SIS depended basically on contributing Governments, but UNDP and UNIDO would consider all possible steps to avoid any interruption in the important services being rendered.
13. Although the problem of finance was still very important, the most serious problem was that of recruitment. Recruiting methods were fairly flexible, but there were considerable difficulties. New ways of recruiting experts might have to be developed because competition for highly qualified experts was very keen in industry. The market price for experts would have to be paid. Consultations were proceeding with UNIDO and other agencies to facilitate the utilization of subcontracting and any other procedures making it easier to secure the services of experts. There would be financial implication, but it was a problem which had to be faced and which should not be under-emphasized.

14. UNDP would also like to decentralize as much as possible its decision-making and procedures for enabling countries to benefit from the services of experts as quickly as possible. The Administrator therefore intended to propose to the Council that certain financial powers should be delegated to the Resident Representatives so that within certain limits they might apply directly to UNIDO for advisory services.

15. Regional projects had so far been difficult to execute, and UNDP therefore wished to suggest that UNIDO should give preference to national projects which would be open to the whole region concerned. That would be a more convenient and speedier procedure. Advisory projects on an interregional or regional basis were of course very necessary, but they should perhaps be organized so as to allow for more flexible recruiting arrangements. Ideally, an advisory industrial service project should consist of a small nucleus of two or three persons resident locally, suitably integrated with national agencies, and having the power to recruit consultants promptly and conclude sub-contracts for specific purposes.

16. UNDP also considered that UNIDO should not hesitate to submit "mini-projects", making possible a thorough study of national conditions and permitting a longer, second phase to be undertaken. UNIDO should feel free, provided of course that Governments approved, to approach the problem of accelerated industrialization at several levels simultaneously, for example, training, research and demonstration. It should not hesitate to propose new formulae, and if they proved to merit the necessary support, UNDP would ask its Governing Council to approve the necessary procedural changes.

17. UNDP was optimistic about the future and noted that UNIDO had already achieved encouraging results. In the developing regions of the world, the problems of industrial development were beginning to be analysed much more fully and precisely, which augured well for the efforts of UNDP and UNIDO.

18. Mr. ARCHIBALD (Trinidad and Tobago) said that his delegation fully recognized the substantial progress achieved by UNIDO since its first session in identifying its role in relation to the other agencies in the United Nations system and in performing practical work in the field. He expressed satisfaction with the constructive relationship which had developed between the Board and the Secretariat.

19. UNIDO was still, however, to some extent at the experimental stage. One experiment had been the establishment of the Working Group on Finance and Co-ordination, a step which had the full support of his delegation. The group's ability to concentrate on the practical aspects of industrial development in the developing countries would increasingly attract to Vienna the development technologists of the countries themselves. Such a dialogue between UNIDO headquarters and Governments was to be encouraged and that approach should be increasingly emphasized in the years to come while UNIDO's basic organizational problems were being resolved.
20. With regard to the question of the way in which the Working Group's report was to be handled by the Board, his delegation considered that the report should be regarded as an integral part of the Board's work and that the subjects already covered by the Working Group need not be reopened. The Working Group's report should be annexed to that of the Board for reference.
21. There was room for improvement in the methods of work adopted by the Working Group. Its proceedings had tended to be rather too formal; it would be better for discussion to take place in smaller groups to make possible even more direct treatment of specific issues regarding industrial development. The procedures should be as flexible as possible.
22. Co-ordination between the various agencies was one of the most urgent tasks confronting the United Nations system with the approach of the Second Development Decade. In many ways it was also one of the most delicate and difficult tasks. The Executive Director had accepted the challenge; it was to be hoped that he would keep the Board in his confidence so that it could give him all possible assistance. He should avoid allowing UNIDO, as a young organization, to become involved in any inter-agency wrangling over the division of work in the field of development, though all unnecessary duplication must indeed be avoided in view of the limited resources of the United Nations system and the immensity of the needs of developing countries.
23. The wide variety of operational plans examined by the Working Group had clearly demonstrated that a sound programming basis had been laid for the years immediately ahead. The Board should, however, be careful not to allow its ambitions for UNIDO to outstrip the latter's organizational capacity. If the Board wanted UNIDO to expand its range, it had at the same time to consider expanding its financial and manpower resources.



24. It should be borne in mind that in the last few years the secretariat had had to create a basically new organization and to launch UNIDO on its operational work. UNIDO's plans and operational activities had yet to be dovetailed and co-ordinated with those of the other agencies. It was clear, however, that UNIDO had made a good start.

25. Mr. ANOER (Sweden) thought that it would be appropriate to consider to what extent the Board had carried out the existing functions assigned to it: to formulate principles and policies for the attainment of UNIDO's aims, to initiate action to that end and to exercise control over the effective utilization of available resources. At its first session, the Board had defined exhaustively the kinds of assistance that developing countries might expect UNIDO to extend to them and at its second session it had tried to advise the Executive Director on specific measures to improve the work of UNIDO. However, even more substantive guidance needed to be provided by the Board if it was to fulfil its role and responsibilities to the utmost. There were, in fact, two main areas in which the Board could well give the Executive Director useful advice; namely, the general direction of the long-range work programme and the corresponding structure of the Organization.

26. The Swedish delegation, for one, believed that UNIDO's future lay in the operational field, its prime role being that of an executing agency within the United Nations Development Programme, and it felt that suitable emphasis on that aspect should be reflected in the secretariat's structure. Yet the various data provided on UNIDO's resources and commitments for different programmes indicated that the secretariat was planning to engage still more staff for supporting activities at headquarters. It was surely through the experience it gained from Special Fund projects in the field that UNIDO would win acclaim as an effective and authoritative organization, and thus, in turn, gain a steadily increasing share in UNDP. Greater voluntary contributions would no doubt be forthcoming and increased emphasis on field activities should result in the establishment of a wide network of contacts with consultants, industries and banks. Such contacts were a prerequisite for successful promotional activities, which were an important part of almost every pre-investment project and, needless to say, the question of securing the necessary follow-up investment should from the outset be in the foreground of the pre-investment study.

27. His delegation still held the view that the Special Industrial Services programme had special merit in providing a flexible procedure in cases where prompt assistance and advice were needed. The main problem was to find ways and means of securing continuous financing for it. The Governing Council of the UNDP had invited the Executive Director and the Administrator of UNDP to examine the question jointly and it would be interesting to hear from the Executive Director how the deliberations were progressing.

28. As regards UNIDO's field and supporting activities in general, he felt that the Organization should concentrate on areas where it could make its greatest contribution towards accelerating industrialization in the developing countries, and it was important to consider which activities were most beneficial from the point of view of those countries themselves. Aptitudes for industrialization and other relevant circumstances varied from region to region and from country to country, and it was only by an expert examination of the special problems involved that UNIDO could tailor its programmes to fit the strict requirements of individual situations. Not only UNIDO's work programme, however, but also its structure needed to correspond to the Organization's main functions.

29. In considering how studies to achieve those ends could best be conducted, his delegation had concluded that one practical possibility would be to call in a group of experts to take a thorough look at UNIDO's work programme and structure. The group could make recommendations, firstly, on the kind of activities UNIDO might most effectively undertake in order to encourage the process of industrialization in the developing countries and, secondly, on a suitable organizational structure for UNIDO. Since he believed that several other delegations, and the Executive Director himself, were well disposed towards that idea, he hoped that it would be possible for the Board to agree on the form and mandate for such an expert group. The Swedish Government and public attached great importance to the acceleration of economic and social development and believed that UNIDO had a key role to play in that process. His delegation thus hoped that a special effort would be made to ensure, without further delay, that UNIDO was equipped with the proper programme and structure for its task.

30. Mr. STEDTFELD (Federal Republic of Germany) said that the discussion should reflect on the future of UNIDO. Was it to strive for a further expansion of its manifold activities, or to concentrate on particularly important sectors? Where should its priorities be set? Should it be an executing agency for technical assistance programmes, a promoter of industrial development, or a combination of both? The task of the Board, in close co-operation with the Executive Director, was to transform the tentative answers of the Working Group into specific guidelines.

31. In view of UNIDO's youth, it was not surprising that it was not yet playing the role which its mandate implied. Efforts to transform UNIDO into a world-wide agency for promotional, informational and advisory services were still provisional and experimental, and suffered from the lack of a clear, comprehensive concept of priorities. His delegation did not believe that UNIDO should choose between technical assistance and promotion, since it considered that the two types of activity were inseparable. If they were viewed as complementary elements of the same approach, it should be possible to arrive at a concrete practical concept of the future work of the organization, perhaps entailing a measure of concentration on particularly urgent problems and priorities.

32. The method by which such an aim might be reached should include the creation of machinery for consultation with the Governments of the developing countries, and continuous support in the establishment of comprehensive national and regional industrial policies. Such a procedure, in which UNIDO's industrial field advisers could play a significant role, should provide realistic and concrete opportunities both for technical assistance in the traditional sense and for promotional activities.

33. Since the present share of UNIDO in UNDP projects appeared to be still unsatisfactory, the role of UNIDO as executing agency for technical assistance should be further strengthened. Project volume should be increased through the preparation and elaboration of reasonable industrial field projects, and UNIDO should strive to improve both the quality and the efficiency of its work. The proposals for improving procedures for the recruitment of experts were to be welcomed, and better use might be made of consultancy firms.

34. An important element was the promotion of concrete and reasonable investment projects. Here, UNIDO itself should act not as a financier but as a catalyst, bringing together potential partners in the developing countries, and setting up appropriate mechanisms for the mobilization of know-how and finance. Such activity might well produce the "multiplier effect" mentioned repeatedly by the Executive Director.

35. As an expression of its readiness to co-operate with UNIDO, the Government of the Federal Republic of Germany had increased its 1969 contribution to UNDP - which it still regarded as the main source of finance for UNIDO's operational activities - by about 14 per cent. Its contribution of \$3 million to the SIS programme reflected its belief that the promotion of projects of the SIS type would be necessary in the future. As far as the future organization of the programme was concerned, his delegation awaited with interest the results of the forthcoming UNIDO/UNDP study of the subject.

36. From 1969 onwards, the Federal Republic of Germany would contribute about 7 per cent to the regular budget of UNIDO. It was also seeking further possibilities of co-operating more closely with the Organization, and envisaged a combination of some of its own bilateral development assistance measures with UNIDO projects. Moreover, governmental support for UNIDO, was being matched by increasing interest on the part of private industry in the work of the Organization.

37. It was too soon to say much about the overall concept of the Second Development Decade. Past experience had shown that the creation of mere overall targets of growth meant little, since they concealed the complexity of economic and social conditions in the developing countries. What was most important was to develop continuous, concrete and coherent measures for the coming decade, and in that respect the secretariat appeared rightly to have chosen both the sectoral approach and the country approach. A new trade system, providing for general, non-discriminatory and non-reciprocal preferential tariffs in favour of the developing countries would, it was hoped, come into effect at the beginning of the decade. The Executive Director had asked whether the developed countries were willing to adopt a policy of helping the developing countries to industrialize and to become their efficient partners, rightly pointing out that on the basis of such a strategy development aid and proper trade policies would become instruments of investment for a joint future. The envisaged

general preferential tariffs would only make a reasonable contribution towards the aims of the decade if they created not only trade but also investment. Many developing countries would have to reach a higher and more diversified level of industrialization before they could profit from preferential tariffs, and that fact underlined the importance of making UNIDO an increasingly efficient instrument for promoting industrialization in the developing countries.

38. Mr. CHOSSUDOVSKY (United Nations Conference on Trade and Development) delivered a statement on behalf of the Secretary-General of UNCTAD.

39. In conveying to the Board his best wishes for a constructive session, the Secretary-General observed that UNIDO and UNCTAD were close partners in a joint United Nations enterprise, with aims and purposes which were largely complementary. Both dedicated to the cause of economic advancement, particularly in the under-privileged part of the world, the former was engaged in the promotion of industrialization, and the latter in the restructuring of trade and related policies of development. On the basis of their mandates, the two Organizations maintained close working relations. In the past year a number of projects had been undertaken jointly, and bore witness to the common desire to translate the requirements for contact between different organizations into tangible concerted action. By their very nature, such joint ventures largely disposed of problems of duplication and the co-ordination of activities. Moreover, the complexity of the development process was such that in many cases an effective approach, both for purposes of research and for the purpose of initiating international action, must be conceived in terms of inter-disciplinary and inter-agency partnership.

40. Fruitful discussions between the Executive Director of UNIDO and the Secretary-General of UNCTAD had brought out their common intent and resolve to strengthen their association in conformity with the will of the United Nations General Assembly and with any specific directions and directives from the Industrial Development Board and the Trade and Development Board. The Secretary-General of UNCTAD particularly looked forward to the further development of frequent, systematic and comprehensive contacts at the working level, being convinced that such links and consultations would reveal many possibilities for meaningful co-operative and concerted work in the interests of the Governments served by the two institutions.

41. Although Mr. de Angelis was not present in person, the Secretary-General had arranged to be kept continually informed of the deliberations of the Board. During the Second Development Decade both UNIDO and UNCTAD would have contributions to make. The problems of the developing countries were serious in scope and of such urgency as to brook no delay. Discussions at international gatherings should, for that reason, on no account be allowed to remain fruitless; they should aim at finding practical solutions to such problems. The Secretary-General was convinced that the third session of the Industrial Development Board would mark a significant step forward by the new Organization as the United Nations arm for promoting the transformation of the under-developed communities into modern industrialized societies, so that the fuller life which the upsurge of science and technology had brought within reach might be shared by all.

42. Mr. de ANGELI (World Federation of Trade Unions) said that as the improvement of the living and working conditions and the social advancement of the working masses, particularly in the developing countries, were closely related to industrialization and the acceleration of economic development, the Federation was keenly interested in those matters. The success of industrial development depended in great measure on a real strategy of industrialization, and the Federation saw the process itself as one of radical change in economic and social structures.

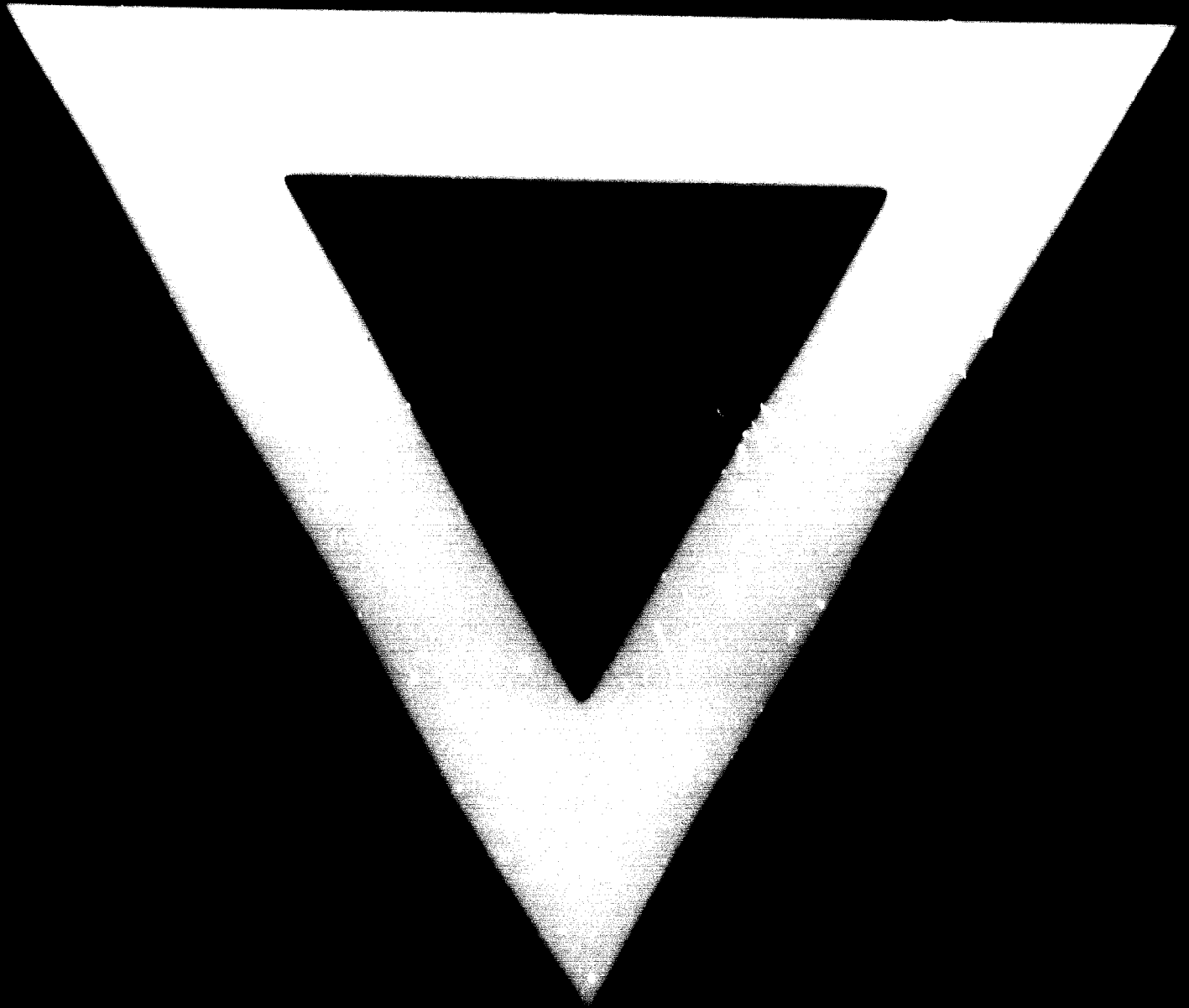
43. Industrialization, together with the agrarian reform and agricultural modernization which were particularly necessary in many developing countries, was a prerequisite of economic independence and the diversification of the bases of production. Moreover, trade unions believed that the State should play a dynamic and fundamental role in the industrialization process, particularly at the production level. In the complex pattern of change which industrialization required, the unions themselves were indispensable, concerned as they were with the human resources involved. The investment of those resources, and the decisive mobilization of the working masses which such investment implied, demanded the active participation of the workers in the industrialization process, the satisfaction of their own economic, social and cultural needs and the granting of broader powers to the organizations which represented them. Social progress was a necessary concomitant of economic progress, and industrialization should be accompanied by firm guarantees of the right to work, through the creation of employment at all levels.

44. In recognizing labour as a determining factor in economic and social development, the developing countries should take steps to ensure higher wages, and their industrialization policies should make provision for social security and vocational training. The unions should play their rightful role in these three fields, in the interests not only of social justice but also of industrial efficiency. The part which they could play in economic and social development should be acknowledged by a wider recognition of their rights on the part of public authorities and employers. Moreover, the rights of workers' organizations should be extended from their traditional context into other fields where the interests of the working masses could be defended through union action.

45. The World Federation of Trade Unions, considering industrialization to be a means of improving the destiny of hundreds of millions of workers throughout the world, through a more rational and complete utilization of material and human resources, had made many studies of the social aspects of industrial development. In 1968, a Charter had been adopted defining the principles and conditions for democratic vocational training in line with scientific and technical progress, and in May 1969 representatives of unions from many countries would be taking part in a world conference on functional literacy, organized by the Federation in co-operation with UNESCO. Such initiatives revealed that the trade unions were concerned with all problems related to the acceleration of social progress. WFTU hoped that it would be possible to establish closer co-operation between UNIDO and the unions in a great variety of fields pertaining to industrialization and its implications for the living and working conditions of the working masses.

The meeting rose at 5 p.m.





**16. 7. 74**