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18/7/69
20 June 1969

EGUISE
Original: FRENCH

United Nations Industrial Development Organization

Industrial Development Board

Third Session

Vienna, 24 April - 15 May 1969

SUMMARY RECORD OF THE SIXTY-SEVENTH MEETING

Held at the Neue Hofburg, Vienna,
on Monday, 28 April 1969, at 3.25 p.m.

President: Mr. ORTIZ 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. SEDIVY (Czechoslovakia) stated that his Government firmly intended to take the fullest possible part in UNIDO's activities, both by its voluntary contributions and by helping to execute projects and proposed measures. UNIDO had a universal vocation and its role was therefore to assist all countries without exception, whether developed or underdeveloped, Members of the United Nations and others. Its aid was clearly needed primarily by developing countries, and advanced countries should therefore give them through UNIDO the benefit of their own experience as discerningly and effectively as possible.
2. In so doing the advanced countries should make allowance for the conditions peculiar to each developing country, especially those affecting the mobilization of its natural and other resources, increased and more effective centralization of planning for the various branches of industry, and the parts which the public sector and the co-operatives should play in those two efforts. To attain these ends the socialist countries, fortified by their own experience, could work with UNIDO to assist the developing countries to expand every sector of their economies and to guide them towards what should be their ultimate goal: total economic independence.
3. The Czechoslovak Government, for its part, was always eager to strengthen its economic ties with all countries, and especially anxious to reinforce its relations with the developing world. It therefore intended to modify its own industrial programme so as to be able to absorb the greatest quantity of the specific resources offered by the developing countries as their industrialization advanced. Thus a close-knit community of interests could be created between them and Czechoslovakia. It was therefore desirable that UNIDO should give further consideration to that aspect of the problem and provide every encouragement for the conclusion of multilateral industrial-programme agreements. Some progress had already been made in that direction; but the needs of the developing countries were still far from being satisfied. Furthermore, that work was bound to enhance the value and scope of UNIDO's activities, lead to better use of its limited funds, and strengthen its role within the United Nations system.

assistance to be given to developing countries before drawing up projects and settling the amount of allocations. For that reason it had contacted the Secretariat on the matter, and had discussed the most suitable arrangements for the transfer of know-how and practical experience from developed to developing countries.

9. The Czechoslovak Government had decided to take part in all projects which had a multiplier effect and were aimed at raising the general standard of technical management in the developing countries. For that purpose it had already agreed with the Secretariat to organize in 1970 another in-plant training course for diesel engineers, similar to that held in Prague in 1968. Similarly, it planned to hold a course for managers in the footwear industry in the second half of the present year. It was also willing to participate in setting up pilot workshops and undertakings for branches of industry: but its resources would not allow its activity to go beyond a limited number of training centres in various fields such as repair and maintenance, management and quality control. It would like to see more symposia, seminars and training programmes held in Czechoslovakia, which was not only geographically close to the UNIDO headquarters but also had a broad network of research and development institutes whose activities fitted the needs of many developing countries, as was clear from their statements in the Working Group.

10. He therefore regretted that the Secretariat had not made wider use of the many facilities offered by Czechoslovakia. His delegation had drawn up a list of the various institutions whose activities were related to those of UNIDO, and hoped the Secretariat would make the best possible use of it. Lastly, he was authorized to inform the Board that his Government had set up a National Committee for UNIDO, as an advisory body to co-ordinate all the work of the other technical institutions interested in the Organization's activities.

11. Mr. BITTENCOURT (Brazil) recalled that at the Board's second session his delegation had advocated the appointment, as subsidiary organs of the Board, of permanent committees which would have helped it to carry out its essential duties with the maximum of efficiency. If that proposal had been accepted, the Board would have had their recommendations to guide it in formulating principles and directives, establishing priorities and supervising the fulfilment of the programme. In his

delegation's opinion the Board should at its third session give the attention to that matter, as the Trade and Development Board had done when in 1965 it had decided to set up its permanent committees.

12. Those committees, staffed on the principle of equitable geographical representation, would study respectively (1) planning, programming and financial matters; (2) technology and manpower; (3) consumer goods industries and (4) processing and capital goods industries. That solution would without any doubt lighten a workload which the Board would be less and less able to bear as UNIDO expanded its activities.

13. UNIDO ought to have its own "philosophy of industrial development" and avoid undue concentration of effort on subjects of minor importance while decisive factors in a global strategy of industrial development did not receive the full attention they deserved. The Working Group on Programme and Co-ordination had admittedly been able during the two weeks at its disposal to fulfil the terms of reference assigned to it by the Board's resolution 3 (II). Its agenda items, however, only represented part of the task of UNIDO. The Organization should not content itself with granting technical assistance, but should work out strategies for developing countries according to their different levels of development.

14. Furthermore, UNIDO unquestionably had both economic and political responsibilities in the industrialization of developing countries; and decisions in that field were for the Board and only the Board.

15. Brazil, for its part, had considered that the preparatory work for the United Nations Second Development Decade should be entrusted not to the Economic and Social Council but to UNCTAD. Naturally UNIDO, too, had a part to play in facilitating the transfer of technical know-how, and in analysing the reasons for the backwardness of industrial technology in the developing countries and the effects of private commercial interests on the machinery for that transfer.

16. The fundamental principles of the Second Development Decade should be basically those of UNCTAD, and UNIDO should seek to allot financial resources to meet the needs of industrial research in developing countries. It should recommend the advanced countries to alleviate the financial burden which the acquisition of technical

know-how placed on the developing countries, and to eliminate restrictive trade practices which prevented the expansion of exports of manufactured goods from developing countries to industrialized countries as a result of the existing conditions governing the transfer of technical know-how.

17. The results of the first annual Pledging Conference had been encouraging; but some advanced countries had either not paid any contributions or had agreed to make them through UNDP. The States which did not take part in Pledging Conferences were indirectly compromising UNIDO's financial autonomy and consequently preventing it from fulfilling the purposes for which it had been set up. Seeing that the resources which UNIDO could obtain from UNDP were far from sufficient to meet requirements, it was of the utmost importance that the Organization should be able to count on independent resources of its own. Furthermore, the programme of Special Industrial Services, a dynamic element in UNIDO's activities, also deserved every attention.

18. At the Board's last session the Brazilian delegation had been a co-sponsor of a draft resolution on decentralization of UNIDO's activities which was aimed at establishing regional and sub-regional centres in Asia, Africa and Latin America. The establishment of regional offices would enable the industrial problems of the region to be examined on the spot. He recalled that it had been agreed to resume consideration of that draft resolution at the third session.

19. The problem of the central co-ordinating role had been examined by the Working Group, but only in regard to relations between UNIDO and FAO. In view of the progress already achieved in negotiations, it was to be expected that the Executive Director would shortly succeed in concluding agreements with the other United Nations bodies. That was a problem of particular interest to the developing countries, because those bodies had been set up to help Member States.

20. The Brazilian delegation wished to state its opposition to the proposal to set up a group of experts to examine UNIDO's work programme and structure. Such a step would amount to a confession of failure by the Board, or an abdication in favour of experts, groups of experts or consulting firms instructed to consider how to give UNIDO a structure corresponding to what they believed should be its main functions.

21. The Brazilian Delegation considered that the time had come for UNIDO to act and not to undertake new studies, the cost of which, because of the slenderness of its resources, would weigh heavily on its activities and hinder its progress. Some had said that the Board could not discharge its duties satisfactorily. In his opinion, however, the whole difficulty arose from the overload of secondary questions that the Board was called upon to consider, and the lack of subsidiary organs to submit recommendations to it and thus facilitate its tasks. The establishment of the Working Group on Programme and Co-ordination had been a useful experience, and the Brazilian delegation hoped that other members of the Board would be induced to recognize the need for standing committees.

22. Mr. LOPEZ MUÑOZ (Cuba) recalled that the Executive Director had said at the meeting of the Working Group on Programme and Co-ordination that UNIDO should not draw up a global strategy for industrialization before it had gained sufficient experience and a thorough grasp of the measures to be taken, but that a complete lack of any such strategy might result in a series of unrelated measures lacking any perspective. A strategy therefore seemed indispensable: boldness was needed, and there must be no withdrawal or abandonment in the face of difficulties or lack of resources. It was, however, not enough to determine objectives for the strategy: it was also necessary to define a series of principles to serve as guidelines.

23. The first need was to make sure that that strategy did not become a mere academic exercise or an interminable search for the best solution or the most perfect programme - a tendency which sometimes showed itself, as it had when the Indicative World Plan of FAO was drawn up. Care must also be taken to prevent the strategy from being a merely empirical plan of action without any valid theoretical basis. It must be balanced, flexible and capable of being modified during its execution.

24. It must above all be realistic. That meant that its objectives must be fixed, not at all in relation to the available funds and the local capacity for capital, but on the contrary in relation to the objective situation and the means of attaining them when chosen. That method was not over-ambitious, as the successes achieved in post-war reconstruction had proved. The resources were there; unfortunately they were devoted to the armaments race.

25. It was important to avoid the mistake of following some preconceived model too slavishly. The use of indicators which enabled a quantitative evaluation to be made was certainly of great assistance in analysis; but there were also qualitative differences between developed and developing countries. There could be danger in putting forward theoretically-valid solutions conforming to the model in use but ill-adapted to the real objective, which was to eliminate underdevelopment.

26. UNIDO had still other important tasks. Priority should be given to training technical personnel, the transfer of industrial technology and assistance in formulating national industrialization policies. As available resources were scarce, most emphasis should be laid on activities that would produce the greatest multiplier effect.

27. At this stage of its existence, UNIDO had to take decisions of a scope extending beyond the Board's competence. The Cuban delegation thought that there should be an international conference, preferably at Ministerial level, which could chart an exact course for the Organization and increase the effectiveness of its activities.

28. Investment of private foreign capital in developing countries could be highly dangerous, as the Cuban delegation had already had occasion to remark. The situation in Latin America between 1956 and 1965 could be taken as an example. During that period direct United States investments had risen from 6.8 thousand million to over 9 thousand million dollars; according to some authorized sources figures twice as great would be closer to the truth. It could be observed that 2,229 million dollars (13 per cent of total foreign investments) had yielded a profit of 6,653 million dollars (26.5 per cent of total profits); this discrepancy was still more marked in Asia, where 7.4 per cent of total investments had yielded 31.4 per cent of total profits. In Europe, by contrast, it had been necessary to invest 40.8 per cent of the total to obtain no more than 17.7 per cent of total profits. Investments in the Third World had amounted only to 25.2 per cent of total American investments, but had provided 61.2 per cent of total profits. The opposite had resulted in Europe and in Canada, where the figures were respectively 64.1 per cent and 32.9 per cent. Thus the paradoxical situation

had been reached that Latin America had exported 100 million dollars to finance the development of the United States. If these figures were not enough, it could also be pointed out that in that region more than 150 million people had an income of less than 9 dollars a month and that the income of 24 million people did not exceed a dollar a day while the cost of living had multiplied 18 times. The exploitation of the fabulous wealth of Latin America had therefore merely burdened the region with debt. What was more, when any country tried to shed this costly burden, economic or other reprisals were not long in coming, as was seen in Peru and had been seen in Cuba.

29. The Work Programme for 1970 was very modest; yet priority should still be given to activities supporting agriculture in collaboration with FAO. On the other hand, UNIDO had to co-ordinate its activities with the other United Nations institutions, as the Working Group on Programme and Co-ordination had made clear. In that matter the Cuban delegation felt that the Board should not merely take note of the Report of the Working Group but should adopt it and incorporate it in its own report.

30. In short, the question was whether to structure UNIDO towards or away from centralization. Decentralization seemed preferable, since development problems were best solved on the spot with full knowledge of the conditions peculiar to the country. Nevertheless, it was premature to decentralize while the available human and financial resources were so limited. It had been suggested that an expert group should be convened to study the work programme and structure of UNIDO. The Cuban delegation would reserve its opinion until it knew the composition of the expert group and, above all, how the members of the group could define the structure of a body before its direction had been determined and while the relative significance of its various services and its degree of decentralization were still problematical.

31. Mr. BLAISSE (Netherlands) judged that the Working Group on Programme and Co-ordination had achieved some satisfactory results and had been able, with the help of the Executive Director and of his colleagues, to examine in sufficient depth and detail the activities listed in the Work Programmes for 1968, 1969 and 1970. Its discussions had shown that UNIDO, which should be an action-oriented

organization, would have to attach more importance to its operational activities. Too large a part of its supporting activities seemed not to be directly linked to its activities in the field; and, if it really had an important part to play in promotion, its promotional activities should nevertheless be kept within clearly-defined limits. UNIDO's work programme was too extensive and the results might be too widely dispersed to have any positive effect.

32. Certain more particular problems should likewise be given close attention and, in the selection of industrial projects, care ought to be taken to suit the end product to the customs and tastes of the local consumer. A further important problem was that of setting up distribution networks, without which all new progress in industrialization came to a halt. Those were two important factors, particularly in the light industry sector, to which UNIDO devoted a considerable part of its activities.

33. Conflicts of jurisdiction between the various United Nations bodies concerned with industrial development gave rise to confusion and overlapping which were all the more regrettable since technical and financial resources were in very short supply. The Netherlands delegation had noted with satisfaction the agreements already concluded between UNIDO, the regional economic commissions and several United Nations bodies, and hoped, in view of the interaction between industrial and agricultural development, that the current negotiations between UNIDO and FAO would swiftly reach a satisfactory conclusion.

34. The Netherlands Government attached particular importance to the part UNIDO should play in encouraging private capital investment in the developing countries. Close links between UNIDO and industrial circles would enable it to conduct its activities more effectively and would also facilitate transfer of technical know-how and skill. It could thus spread a better spirit of understanding between the peoples of the developing countries and foreign investors, and could even lessen the risks, both commercial and political, that investors ran. A National Committee for UNIDO, most of whose members represented industrial and financial interests and administrative and scientific training institutions, had been in existence for some time in the Netherlands. It advised the Government on UNIDO projects and endeavoured to arouse the interest of businessmen and industrialists in the Organization.

35. On the subject of voluntary contributions, he reminded the Board that the Government had contributed US\$1,700,000 to the Special Industrial Services Fund in 1965 and 1966, more than 20 per cent of the total given by Member States to that Fund. Since UNIDO's establishment the Netherlands Government had increased its UNDP contribution by a total sum of about US\$1,700,000 for supplementary activities in industrial development, and hoped that UNDP could allocate an ever-increasing part of its resources to UNIDO projects.

36. UNIDO had a particularly important part to play in preparatory work and in activities belonging strictly to the United Nations Second Development Decade. The Netherlands delegation felt that the Board should take all possible steps to help the Organization to play its part fully in that second ten-year period.

37. Mr. LORENZI (Uruguay) said that his delegation supported all activities undertaken for the Second Development Decade, and in particular the UNIDO/FAO programmes, which were fundamentally important for the countries producing raw materials. UNIDO should take full advantage of the related experience gained by FAO, and amplify all programmes aimed at developing agro-industrial undertakings.

38. In regard to the technical co-operation and fellowships programme, an imbalance could be noted between the numbers of fellowships taken up by the European and by the developing countries, most probably because the latter were not fully aware of the value of that type of training scheme. It was necessary to increase the number of fellowships offered to citizens of the Latin-American countries, and to recommend the national committees to undertake their own promotion campaigns. Furthermore, the recruitment of experts must be increased, particularly from the developed countries, many of whose experts through their travel opportunities and experience had a more intimate knowledge of the problems.

39. In accordance with resolution P (II) adopted by the Board at its second session, UNIDO had formed contacts in order to prepare various UNDP Special Fund projects, mostly for the training of senior personnel. The Uruguayan Government was deeply interested in all programmes relating to the electronics industry, and hoped to receive in due course further details of their implementation.

40. The Uruguayan delegation attached especial importance to programmes for improving repair and maintenance services in the developing countries. In Uruguay the Productivity Centre had drawn up a programme for repairing equipment in the textile, leather, cement, footwear and petroleum-refining industries, laying emphasis on preventive maintenance as well as repair. It had thus reduced costs, increased productivity, and limited the always very expensive stocks of spare parts. The Uruguayan Government would like to receive for one year the services of an expert on the maintenance of public works equipment. In another direction it had started with the assistance of a UNIDO expert, a "supplies" programme, whereby annual stocks of products could be determined, five-year projections made, measures studied for improving quality and reducing costs, and an international market survey conducted. It had also launched an export financing and pre-financing programme which, helped by a low-interest 4 million dollar fund, had considerably lowered producers' expenses. With the guidance of a UNIDO expert it was endeavouring to develop agro-industrial complexes and to draft a project for creating a 10,000 ha agro-industrial complex with houses, roads, a medical service, schools and means of transport. The Uruguayan Government would like to be informed of the nature and scope of the assistance which UNIDO could provide for that purpose.

41. UNIDO should grant the Inter-American Productivity Association consultative status. Contacts would thereby be facilitated, and interested governments, organizations and undertakings would have access to very valuable information.

42. Mr. RAVERTIN (Switzerland) considered that in its three years of existence UNIDO had become sufficiently firmly established to be able to discharge fully the duties assigned to it by General Assembly resolution 2152 (XXI). However, its activities were likely to acquire more importance if they were included in the scheme of the Second Development Decade; on that assumption the Swiss delegation invited the Board to focus its attention on three items in the future programme of work.

43. The first of these items concerned the long-term industrial development programme. The UNIDO secretariat ought to collaborate closely with the Second Development Decade Preparatory Committee in preparing its own programme, so that

its objectives were in line with a global development strategy. Without wishing to minimize the importance of supporting activities, the Swiss delegation believed that UNIDO should give priority to operational activities, which were more closely in keeping with the necessary forceful and positive action, and would meet more directly the needs of developing countries.

44. On the other hand, Headquarters activities, to judge by their less significant effect on industrial development, did not seem to deserve the attention which they had so far been receiving from the Secretariat. UNIDO might do well to follow the suggestion of the UNDP representative and include in its programme a greater number of restricted projects, which would be financed by the Special Fund and could be expanded later. Its share in the Special Fund's programme might thus progressively increase.

45. The long-term programme should, moreover, reflect UNIDO's promotional duties, and provide means of stimulating all external aid which could sustain and enhance the efforts made by developing countries themselves, taking into account the economic, social and political conditions of each of them and the fact that each developed country would be able to stress the particular forms of support which, in view of structure, it was most suited to offer. Together with other delegations, the Swiss delegation thought that UNIDO had much to gain from studying the relatively unexplored field of private capital investment promotion, not only for the capital itself but also as a means for the transfer of techniques.

46. The second point to be considered was the dovetailing of UNIDO's future activities with those of other organizations concerned with development. Co-ordination efforts should strive not only to determine known fields of action so as to utilize limited funds more effectively, but also to identify relatively neglected sectors of utilization which deserved greater attention. Similarly, bilateral and multi-lateral aid programmes should be better co-ordinated - a work to which UNIDO had not yet paid sufficient attention but which would greatly increase its effectiveness in development aid.

47. The third point which the Swiss delegation wished the Board to discuss was UNIDO's competence to meet the objectives assigned to it. If the Board, for its part, wished to undertake its managerial role effectively, it needed the means to analyse in depth the programmes submitted to it and then to transmit its

recommendations to the Secretariat. The Swiss delegation would like to know what criteria the Secretariat had used in preparing its document, and determining the order of priority of projects. Their selection process should be more rigorous, and the reasons for it given more fully.

48. Furthermore, the procedure for the recruitment of experts might well be made more flexible, and the Secretariat should establish close and permanent contact with the national bodies doing that work.

49. In conclusion, the Swiss delegation declared that all questions relating to the means which UNIDO should employ to increase its effectiveness required thorough examination and could not be dealt with hastily.

The meeting rose at 5.50 p.m.



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