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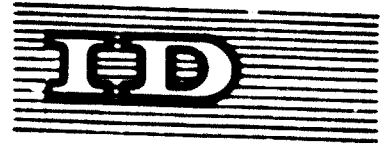
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**Industrial Development Board**

Fourth Session

Vienna, 20 - 30 April 1970

Agenda item 7

**REPORT ON THE PROGRAMME OF SPECIAL  
INDUSTRIAL SERVICES**

id.70-738

Contents

	<u>Paragraph</u>	<u>Page</u>
Origin and purpose of the programme	1 - 3	3
Financial status	4 - 6	3
Development of the programme	7 - 18	5
The future of the programme	19 - 21	14

Annexes

<b>Annex I</b>	Extract from: United Nations Development Programme, report of the Governing Council, eighth session (16 June - 2 July 1969), Economic and Social Council, Official Records: forty-seventh session	1 - 4
<b>Annex II</b>	Excerpt from a memorandum, dated 24 October 1969, by the administration of the UNDP providing detailed information on the new procedures established by the UNDP for projects under the SIS programme	1 - 4

### Origin and purpose of the programme

1. In his previous reports on the Special Industrial Services programme,<sup>1/</sup> the Executive Director of UNIDO has extensively described the origin and purpose of this programme.
2. It will be recalled that the SIS programme was established in 1966, following the report submitted by the Secretary-General to the twentieth session of the General Assembly on the organizational arrangements for industrial development and the provision of additional financing on a voluntary basis for operational activities (A/6070/Rev.1). The proposed programme was intended to provide, within the industrial field, a wide range of services that could not be adequately provided under existing programmes owing to the special nature of the assistance, in particular short-term and emergency assistance which could not be programmed in advance.
3. Experience has shown that most of the services under this programme are rendered in the form of advisory missions for solution of special technical problems (problems of sick plants), pre-feasibility studies, and high-level advisory services. The SIS programme involves short-term exploratory missions to advise governments on various aspects of industrial development and, in some cases, to assist in identifying needs for future assistance.

### Financial status

4. Since its inception, the SIS programme has been financed from voluntary contributions pledged by various governments to a Trust Fund. To date, the cumulative value of these pledges amounts to the equivalent of \$9,157,251. These contributions were pledged by eight governments as shown in table 1 below.

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<sup>1/</sup> Documents ID/B/7, ID/B/22/Add.1 and Corr.1, and ID/B/43/Add.1

Table 1

Voluntary contributions to the SIS Trust Fund  
as of 31 December 1969

<u>Country</u>		<u>Amount pledged</u>	<u>Date</u>	<u>Amount paid (equivalent in US\$)</u>	<u>Date</u>
Netherlands	DG	3,000,000	6.12.65	833,333	1.12.65
United Kingdom	£	300,000	20.12.65	840,101	12.10.66
United States	US\$	2,000,000	18.9.65	555,555	24.6.66
				1,444,445	1.3.67
Sweden	Kr.	2,582,500	20.9.66	500,484	11.5.67
Federal Republic of Germany	US\$	1,000,000	16.8.66	1,000,000	12.12.66
Netherlands	DG	3,000,000	6.10.66	833,333	17.11.66
Federal Republic of Germany	US\$	1,000,000	25.11.66	997,680	6.10.67
				2,320	31.1.68
Belgium	BF	10,000,000	22.12.67	200,000	3.3.69
Finland	US\$	50,000	22.12.67	50,000	22.1.68
Japan	Yen	54,000,000	18.3.68	150,000	18.4.68
Federal Republic of Germany	US\$	1,000,000	4.12.68	1,000,000	5.12.68
Federal Republic of Germany	US\$	750,000	16.10.69	750,000	16.10.69
<b>Total</b>				<b>9,157,251</b>	

5. It is expected that the SIS resources will have been entirely committed for the implementation of projects approved by the end of the first quarter in 1970. Table 2 below contains a description of the financial status of the programme as of 31 December 1969.

Table 2  
Financial status of the SIS programme  
as of 31 December 1969

	<u>US\$</u>
<u>Resources</u>	9,157,251
<u>Commitments</u>	
Funds pledged to SIS Trust fund	1,124,575
Projects pending UNDP approval	500,000
Cumulative value of approved programme <sup>a/</sup>	<u>7,487,201</u>
	<u>9,111,776</u>
<u>Balance</u>	<u>45,475</u>

<sup>a/</sup> Excluding two projects, approved in December 1969 of a total value of \$51,500 under the UNDP/Revolving Fund (SIS).

6. In anticipation of this situation, the Industrial Development Board and the Governing Council of UNDP decided, as early as 1968, to explore the means of ensuring a more permanent and stable way of financing the SIS programme. The arrangements that were made to this end, under a decision taken at the eighth session of the Governing Council of UNDP in June/July 1969, are described under the heading "The future of the programme" (para.19 - 21).

#### Development of the programme

##### Requests for SIS assistance

7. The interest shown by governments of developing countries in the possibilities of assistance offered under SIS is reflected in the growing number of requests received under this programme. The average monthly number of requests received at headquarters increased in 1969 by 25 per cent as compared to 1968.

The number of requests received monthly at headquarters since the inception of the programme up to 31 December 1969 is given in table 3 below.

Table 3  
Number of requests received for SIS assistance  
1966 to 1969

	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>
January	-	12	25	11
February	-	11	34	33
March	4	12	19	14
April	-	25	27	20
May	8	21	27	35
June	7	55	20	28
July	5	17	16	23
August	4	37	19	25
September	4	28	14	26
October	12	10	11	24
November	19	11	13	27
December	14	9	12	36
-TOTAL	<u>77</u>	<u>248</u>	<u>237</u>	<u>302</u>
GRAND TOTAL				<u>864</u>

8. The growing number of UNDP-financed senior industrial development advisers whom UNIDO has put into the field have noticeably helped governments to identify the needs for assistance that could be met under the SIS programme. New types of projects and fields of activity have emerged; for example, management problem missions (frequently referred to as industrial management clinics) have been organized in several countries. These missions aim at solving management problems faced in specific industrial branches. Another example is the campaign for repair and maintenance, initiated in late 1968. It also benefited from the facilities offered under SIS to assist developing countries to identify their needs for assistance in this field and, to some extent, to meet these needs, although the major task in providing assistance is expected to be carried out under the UNDP/SF programme. In addition, several investment promotion missions took place in 1969 under SIS. The flexible character of



the SIS programme proved to be particularly useful in assisting developing countries to promote external financing of their industrial projects.

Approved projects

9. As already mentioned, the volume of requests increased in 1969 by about 25 per cent over 1968. Improvements in the formulation of requests and in the administrative machinery made possible the acceleration of the rate of approval of requests. In 1969, 224 projects were approved as against 157 in 1968, an increase of over 40 per cent. Correspondingly, the total cost of projects approved in 1969 amounted to \$3,273,766 as compared to \$2,281,450 in 1968.

10. Tables 4 and 5 below provide detailed information on the SIS programme since its inception.

Table 4  
Number of SIS projects approved and number of  
projects cancelled, 1966 to 1969

	1966		1967		1968		1969	
	<u>approved</u>	<u>cancelled</u>	<u>approved</u>	<u>cancelled</u>	<u>approved</u>	<u>cancelled</u>	<u>approved</u>	<u>cancelled</u>
January	-	-	4	-	7	1	16	2
February	-	-	17	-	10	1	12	6
March	-	-	14	-	10	1	25	1
April	-	-	10	-	6	3	21	1
May	2	-	10	-	10	2	20	2
June	8	-	11	-	15	2	22	2
July	5	-	25	-	10	9	16	1
August	6	-	9	3	6	4	12	2
September	3	-	25	4	23	-	27	1
October	5	-	11	-	15	1	22	3
November	8	-	12	-	10	1	10	3
December	1	-	9	-	8	-	13	2
<b>TOTAL</b>	<b><u>32</u></b>	<b><u>-</u></b>	<b><u>157</u></b>	<b><u>7</u></b>	<b><u>157</u></b>	<b><u>25</u></b>	<b><u>224</u></b>	<b><u>28</u></b>
Cumulative total - approved projects			576					
- projects cancelled			58					
<b>GRAND TOTAL</b>			<b><u>518</u></b>					

Table 5  
SIS programme earmarkings, 1966 to 1969<sup>a/</sup>

	1965		1967		1968		1969	
	Value of approved projects	Cumulative value of the programme <sup>b/</sup>	Value of approved projects	Cumulative value of the programme <sup>b/</sup>	Value of approved projects	Cumulative value of the programme <sup>b/</sup>	Value of approved projects	Cumulative value of the programme <sup>b/</sup>
January	-	-	28,000	477,140	98,450	3,024,235	207,636	4,937,121
February	-	-	311,275	788,415	84,900	3,091,135	127,900	4,997,671
March	-	-	201,750	990,165	362,000	3,442,535	227,020	5,012,691
April	-	-	81,650	1,071,815	158,000	3,554,535	300,250	5,306,741
May	17,990	17,990	56,660	1,128,475	142,500	3,681,035	348,700	5,597,341
June	149,125	167,115	100,350	1,228,825	228,100	3,904,135	301,800	5,880,141
July	28,500	195,615	378,350	1,607,175	224,150	3,966,335	249,800	6,117,941
August	81,290	276,905	113,600	1,695,775	63,800	3,913,435	179,950	6,263,291
September	5,700	282,605	865,400	2,528,175	318,750	4,231,185	332,500	6,575,791
October	112,300	394,905	130,450	2,658,625	221,700	4,416,885	466,050	7,063,241
November	51,560	446,465	205,200	2,848,325	315,600	4,707,485	328,800	7,301,841
December	2,675	449,140	113,460	2,951,785	63,500	4,768,485	203,360 <sup>c/</sup>	7,487,201 <sup>c/</sup>
TOTAL	549,140		2,806,145		2,281,450		3,273,766	

a/ Excluding agency overhead cost.

b/ After deduction of the value of cancelled projects.

c/ Excluding two projects, approved in December 1969, of a total value of \$51,500, under the UNDP/Revolving Fund (SIS).

General trends of the programme

11. Tables 6 and 7 below outline the main trends of the SIS projects approved in 1969 by type of project, by group of activities and by region.
12. Of the projects approved in 1969, 19 per cent were pre-feasibility studies for the establishment of industrial enterprises of various kinds, 25 per cent "trouble shooting" missions related to specific industries and 44 per cent represented assistance in the development of industrial sectors, surveys and programming. The remaining 12 per cent were exploratory missions for preparation of larger projects, promotion of financing, etc.
13. Over 50 per cent of the pre-feasibility studies approved in 1969 under SIS dealt with Africa, while the requests originating from Europe and the Middle East related to assistance in existing industries. Most of the projects approved for Latin America, Asia and the Far East were of a more general nature.
14. Requests for assistance under the SIS programme in 1969 were, as in the past, concentrated in the light and small-scale industries; over 50 per cent of the SIS resources went to these sectors.

Table 6  
SIS 1969 approved projects by regions  
and types of projects

	<u>Africa</u>	<u>The Americas</u>	<u>Asia/ Far East</u>	<u>Europe/ Middle East</u>	<u>Inter- regional</u>	<u>Total</u>
Exploratory missions	11	6	5	4	4	30
Pre-feasibility studies	22	7	6	8	-	43
Direct assistance to industrial enterprises	9	7	10	29	-	55
General advisory services in specific industrial fields	24	22	33	15	2	96
TOTAL	<u>66</u>	<u>42</u>	<u>54</u>	<u>56</u>	<u>6</u>	<u>224</u>

Table 7

SIS 1969 approved projects by regions  
and groups of activities

	<u>Africa</u>	<u>The Americas</u>	<u>Asia/ Far East</u>	<u>Europe/ Middle East</u>	<u>Inter- regional</u>	<u>Total</u>
<u>GROUP 1</u>						
Engineering Industries	9	3	7	9	2	30
<u>GROUP 2</u>						
Metallurgical Industries	3	5	3	8	-	19
<u>GROUP 3</u>						
Construction and Building Materials Industries	3	3	1	3	-	10
<u>GROUP 4</u>						
Chemicals, Pharmaceuticals and Pulp and Paper Industries	9	6	6	7	1	29
<u>GROUP 5</u>						
Fertilizers, Pesticides and Petrochemicals Industries	5	7	4	7	1	24
<u>GROUP 6</u>						
Light Industries	12	7	17	8	1	45
<u>GROUP 7</u>						
Industrial Legislation, Patents and Licensing	-	-	-	-	-	-
<u>GROUP 8</u>						
Industrial Services and their Administration	1	2	-	1	-	4
<u>GROUP 9</u>						
Industrial Information	1	-	1	-	-	2
<u>GROUP 10a</u>						
Industrial Training )						
<u>GROUP 10b</u>						
Industrial Management and Consulting Services )	3	3	7	8	-	21

Table 7 (cont'd)

	<u>Africa</u>	<u>The Americas</u>	<u>Asia/ Far East</u>	<u>Europe/ Middle East</u>	<u>Inter- regional</u>	<u>Total</u>
<u>GROUP 11</u>						
Small-scale industry, including Industrial Extension Services and Industrial Estates	7	3	2	2	-	14
<u>GROUP 12</u>						
Industrial Programming and Project Planning	2	2	1	1	1	7
<u>GROUP 13</u>						
Industrial Policies and Financing	4	2	3	2	-	11
<u>GROUP 14</u>						
Promotion of Export-oriented Industries	1	2	1	1	-	5
<u>GROUP 15</u>						
Industrial Reviews and Surveys	6	1	1	1	-	9
<b>TOTAL</b>	<b>26</b>	<b>42</b>	<b>56</b>	<b>56</b>	<b>8</b>	<b>278</b>

Implementation of the programme

15. As already mentioned in the report of the SIS programme (ID/B/43/Add.1) to the third session of the Industrial Development Board the rate of implementation of the SIS programme significantly improved in 1968. One hundred and twenty-five missions, excluding UNIDO staff missions, had taken place in 1968 against 63 in 1967.

16. Continued efforts were made in 1969 to improve further the implementation of the programme. Aside from the increased number of missions undertaken by UNIDO staff members, 194 missions of experts took place in 1969, representing an increase of over 50 per cent as compared to 1968. Table 8 below shows the rate of implementation of the SIS programme on a cumulative basis since its

inception. Annual expenditures incurred under the programme practically doubled every year (about \$427,000 in 1967, \$944,000 in 1968 and \$1,942,000 in 1969).

17. Among the factors that contributed to a higher rate of implementation of the programme was the transfer, to UNIDO headquarters, of the recruitment of SIS experts, initially only for projects approved after 1 January 1969, but later on also for those approved before that date.

Table 8  
Implementation of the SIS programme  
1966 to 1969

	<u>No. of experts</u> <u>missions</u>	<u>No. of UNIDO staff</u> <u>members' missions</u>
1966	14	23
1967	63	55
1968	125	48
1969	194	55
TOTAL	<u>396</u>	<u>181</u>

#### Achievements

18. Some of the results achieved under the SIS programme are best illustrated by several selected examples.

BULGARIA - The services of an expert were requested to assist in preparatory work for the establishment of a packing media development and research institute. The expert was sent on two short-term assignments, and the Ministry of Trade is now in the process of implementing the decision to establish the institute in accordance with his recommendations. A request is expected for UNDP/SF assistance in this phase of the project.

CHINA - An expert, attached to the Union Industrial Research Institute, was requested to advise the local man-made fibre industry on a wider application of these fibres and to assist in introducing new techniques of making man-made fibre textiles. In view of the fact that textile

products rank among the largest export items of the country and fill an important domestic demand, the successful efforts of the expert were highly appreciated and acknowledged by the Government and the local industry. Various weak spots in the industry, particularly in the area of testing and quality control, were pin-pointed. The expert's proposals for remedying the weaknesses by setting up a central laboratory for testing and quality control have been accepted by the Government and are under active implementation.

CYPRUS - Cyprus has ample sources of relatively short-fibre asbestos which is currently being exported in raw form. In view of the availability of a domestic cement industry, the Government was anxious to assess the economic feasibility of erecting an asbestos-cement pipe manufacturing plant. The report prepared by a consulting firm, subcontracted by UNIDO, confirmed that the future demand for asbestos-cement pipes justified the erection of such a plant and made recommendations for its establishment. The plant is expected to be erected in the near future.

GUYANA - A request was received from the Government to assist the Guyana Marketing Corporation in the relocation of its food-processing and plant facilities. An expert was assigned to prepare a technical and managerial analysis of the existing plants, identify the deficiencies and suggest ways and means of increasing efficiency, especially with regard to the meat factories. After two months, the expert transmitted a report to the Government. The Guyana Marketing Corporation, commenting on this assistance, stated: "We consider that the report can be a definite, concrete and lasting contribution to the progress of the Corporation".

ICELAND - The Government requested the assistance, under SIS, of a specialized consultant company to promote the export of the fish products of its fish processing industry. The assistance was to include a market survey and recommendations on presentation of the products, distribution and sales organization, promotion and rationalization of production facilities. The International Finance Corporation had shown definite interest in following up the expected recommendations.

SENEGAL - The Government requested assistance in converting the former military installations at Thiès into an industrial estate. The expert, attached to the Société Nationale d'Etudes et de Promotion Industrielles (SONEPI), has been in the field since January 1969. Through his efforts, and with the assistance of SONEPI, the industrial estate has been set-up and nine small-scale industries have been established on it. Equipment to the amount of \$50,000 will be provided to the entrepreneurs under bilateral assistance, and it is expected that the industrial estate will be in full operation in 1970. At the request of the Government, the mission of the expert was broadened to include assistance in the establishment of industrial estates in other parts of the country.

#### The future of the programme

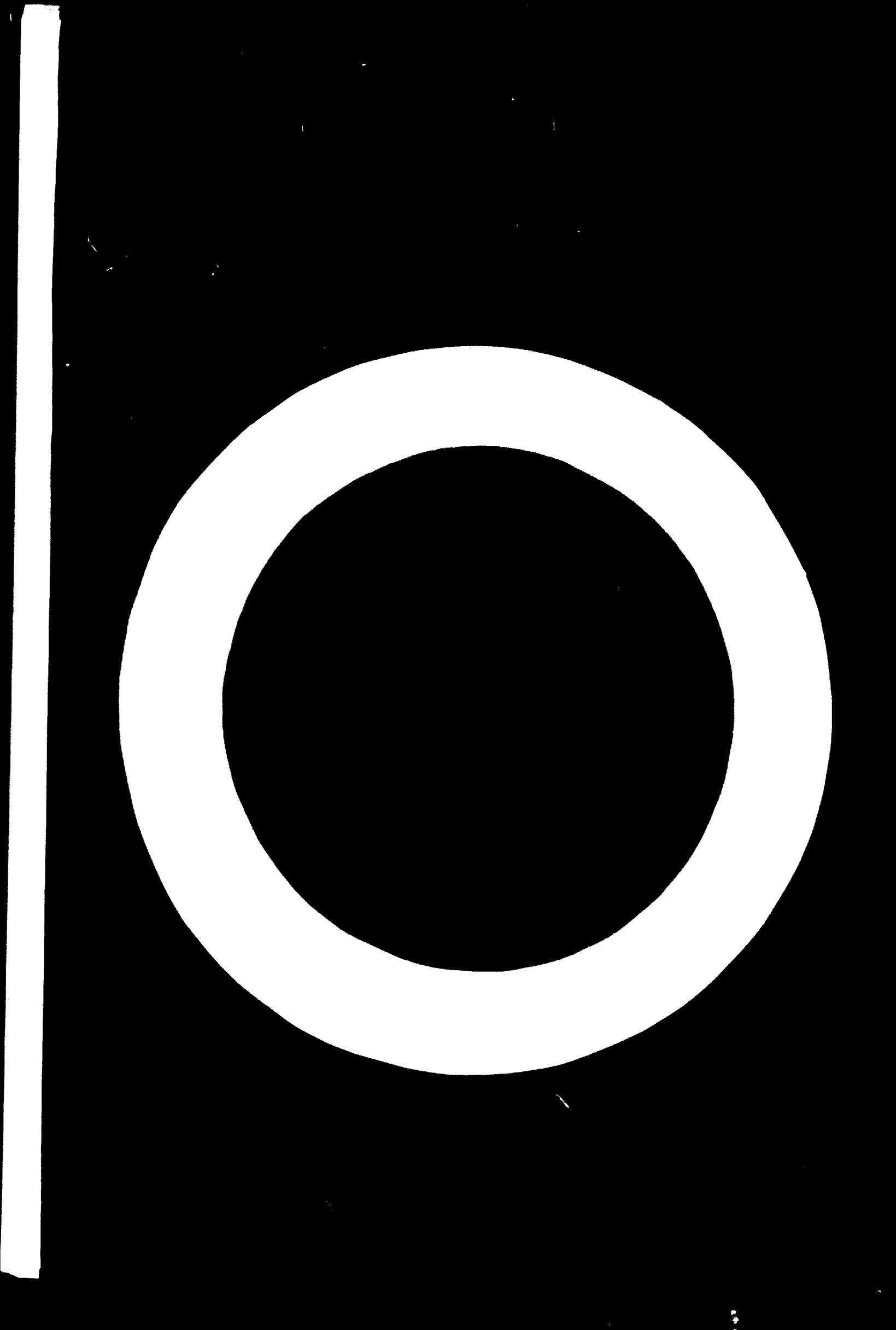
19. Sharing the concern expressed during the seventh session of the UNDP Governing Council on future financing of the SIS programme, the Industrial Development Board, at its third session, adopted resolution 15(III) in which it expressed the hope that, at its next session, the UNDP Governing Council "will take appropriate action to ensure the availability of funds from United Nations Development Programme sources for the continued operation of the Special Industrial Services programme at an annual level consistent with its past development and commensurate with future needs".
20. Following this resolution, discussions took place between the Administrator of UNDP and the Executive Director of UNIDO. As a result of these discussions, the Administrator of UNDP made certain proposals to the UNDP Governing Council at its eighth session. One of the proposals was that the size of the UNDP Revolving Fund be increased to permit the financing of SIS operations under the Fund. Another proposal suggested an annual expenditure level of \$2 million. The Governing Council adopted these proposals at its 165th meeting in order "to enable the continued operation of the SIS programme at an annual level, consistent with the past development of the programme and commensurate with future needs..."<sup>2/</sup> An agreement was subsequently reached between the

<sup>2/</sup> Document E/4706, para.245b (iv).



Administrator of the UNDP and the Executive Director of UNIDO for the establishment of a ceiling of \$4 million of yearly commitments by UNIDO under the programme in order to provide for a sufficient margin of projects in the pipeline.

21. Annexes I and II, respectively, reproduce a summary of the Governing Council debates on this matter with the text of the decision adopted by the Council on financing of SIS-type projects and the procedures established by UNDP to give effect to the Council's resolution.



ANNEX I

Extract from:

UNITED NATIONS DEVELOPMENT PROGRAMME,  
REPORT OF THE GOVERNING COUNCIL,  
EIGHTH SESSION (16 JUNE - 2 JULY 1969),  
ECONOMIC AND SOCIAL COUNCIL,  
OFFICIAL RECORDS: FORTY-SEVENTH SESSION <sup>1/</sup>

Proposals Concerning the Revolving Fund

Report by the Administrator

"... Finally, there was a proposal for including the Special Industrial Services programme under the Fund. The problem of local cost arrangements under Special Industrial Services type activities had been solved through consultations between the Administrator and the Executive Director of the United Nations Industrial Development Organisation, but the question of future SIS financing remained for solution. Based on a series of negotiations, the Administrator was now fully prepared to propose the inclusion of SIS activities under the Revolving Fund, using arrangements which would be administratively and financially comparable to the contingency activities under the Technical Assistance component. While there were similarities, the Administrator was convinced that at the present time and in present circumstances work under the SIS heading required a rather different orientation as compared to contingency financing. While other economic sectors could make certain claims for special treatment, the Administrator did not feel that the case for separate attention to them was equivalent to that represented by industrial requirements. In a few years it was quite likely that particularized attention to the type of activities

<sup>1/</sup> Document E/4706

represented by SIS might not be necessary, but at present there was a crucial need to continue the programme as such. Based on various studies and discussions, the Administrator was proposing that an amount of approximately \$2 million annually should be considered the suitable level for actual expenditures, although \$4 million was suggested as the appropriate ceiling for commitments each year. The SIS cash requirement of \$2 million annually, if added to the other Revolving Fund requirements amounting to \$10 million, would result in a new total figure for the Fund of \$12 million. The Administrator hoped that the Council could agree to this new total."

#### Summary of Discussion

"The large number of members taking part in the debate indicated general support for the recommendations of the Administrator, particularly with regard to the proposal for unification of the Revolving Fund. There was general satisfaction with the manner in which the Administrator had responded to earlier suggestions in the Council for reformation of the Fund and with his initiative in developing new approaches to meet newly emerging problems.

"Several members stressed that the basic changes in the nature and coverage of the Fund should be undertaken on a carefully controlled and experimental basis and that there should be re-examination of the results of the new activities within a reasonable period of time. This applied particularly to the inclusion of the SIS programme under the Fund, since it could not be foreseen with accuracy how the new policies would develop and how long it would take before the designation of SIS as a particular activity would no longer need to be maintained. Some members thought that the financing of industrial projects in a manner similar to contingency activities under the Technical Assistance component of the Programme did not fully reflect the importance of industrial projects in the economic development of developing countries; hence, a more permanent arrangement for the financing of industrial projects would have to be made. One member, supported by several others, thought that it might be wise to emphasize the separate nature and the special character of the SIS programme by specifying more explicitly that the Revolving Fund should cover other activities up to a level of \$10 million, and SIS activities within an approximate amount of \$2 million. Another member added that the compartmentalization of the SIS programme was not only in keeping with the special

character of this activity but would also ensure that access to it would be possible regardless of the situation of the country target. Some members, in referring to the availability of SIS funds to all Participating and Executing Agencies, stressed the central role of UNIDO in co-ordinating United Nations activities in the industrial development field and urged that the limit, fixed by the Administrator for SIS type of operations, would be kept under review in the light of the eventual increasing needs of the developing countries in this respect. Some members asked that information be provided on the details of the agreement reached between the Administrator and the Executive Director of UNIDO on local cost arrangements under SIS activities."

#### Observations of the Administration

"Commenting on the SIS programme, the Director of the Division of Financial Management and Administrative Policy said that numerous possibilities had been considered during the lengthy negotiations leading to the present proposal. Among these had been entirely separate designation and funding, but there seemed to be a great weight of advantage in favour of including SIS under the unified Revolving Fund. This did not mean that the trend towards unification would be lessened because of the designation of the SIS activity on a separate basis. Even under the unified Fund, it would be necessary to maintain memorandum accounts for the different kinds of activity and to use particular designations of nomenclature for purposes of administrative convenience. The figure of \$2 million was not intended to be a fixed amount, but rather was an indication of order of magnitude or general share of SIS in the total resources of the Revolving Fund. The Council could be assured that a full report would be furnished regularly by the Administrator, showing for each broad activity the usage features and general developments under the Fund."

Decision of the Governing Council

"At its 165th meeting, the Council took note of documents DP/L.107 and Corr.1 and Add.1, and of the views expressed during the discussion, and decided to approve the proposals of the Administrator contained in these documents and summarized as follows:

- (a) The Revolving Fund should be administered as a single, unified Fund not be sub-divided into designated amounts for particular purposes;
- (b) The activities qualifying for financing from the Revolving Fund should encompass the following:
- (i) Contingency activities under the Technical Assistance component - to finance projects which are essentially of an emergency or compelling nature;
  - (ii) Activities prior to approval of projects under the Special Fund component - within a limit in each case of \$200,000, to enable assistance to Governments in the preparation, elaboration and revision of requests for Special Fund financing; in the investigation and appraisal of such requests and in the preparation of projects to permit early effective alignment of key elements prior to full project approval by the Governing Council;
  - (iii) Investment-oriented feasibility studies - to permit the carrying out of specific, relatively short-term, investment-oriented feasibility studies, costing less than \$200,000;
  - (iv) Projects of the Special Industrial Services type - to enable the continued operation of the SIS programme at an annual level, consistent with the past development of the programme and commensurate with future needs within an approximate limitation of \$2 million annually.
- (c) The size of the Revolving Fund should be increased from the present level of \$8.5 million to \$12 million."

**ANNEX II**

**EXCERPT FROM A MEMORANDUM, DATED 24 OCTOBER 1969,  
BY THE ADMINISTRATION OF THE UNDP PROVIDING  
DETAILED INFORMATION ON THE NEW PROCEDURES  
ESTABLISHED BY THE UNDP FOR PROJECTS UNDER  
THE SIS PROGRAMME**

"The establishment in 1966 of the Special Industrial Services Trust Fund (jointly administered by UNDP and UNIDO on behalf of the Secretary-General of the United Nations) gave a special impetus to international assistance to Governments in the specific field of industrial development. The SIS Trust Fund made available a sum of money for industrial assistance over and above the country targets established under the normal Technical Assistance programme. The Governing Council has now decided that this special impetus in the field of industrial development should continue, even after exhaustion of the original contributions to the SIS Trust Fund, but within the structure of UNDP and from its resources. The remainder of the SIS Trust Fund will continue to be available for its expressed purposes under existing arrangements for as long as those funds remain unexpended. However, a continuing facility is now available under the UNDP Revolving Fund for the continuation of the same type of assistance to Governments in the industrial field. Projects of this nature will ordinarily be carried out by UNIDO but there will be possibilities for execution by other Participating and Executing Agencies or for direct execution by UNDP, as circumstances warrant.

"The main purpose of Special Industrial Services is to offer a wide range of assistance to developing countries in their implementation of projects in the manufacturing field. Some of these services will be rendered in the form of advice on the solution of specific technical problems which arise in either new or existing industries. Others will involve short-term exploratory missions which will advise on specific aspects in the development of new industrial ventures - normally after the initial feasibility studies have been completed and capital investment financing has been assured. In either case, the need for such industrial assistance will be urgent in nature and will arise quickly, necessitating an immediate and flexible response.

"Projects involving advisory services to Governments, including troubleshooting for the solution of technical problems, are roughly similar in nature to those carried out under the regular Technical Assistance programme, and in general the financial arrangements will be similar. Exploratory missions, on the other hand, which generally have the purpose of preparing the way for larger industrial projects in the future, are rather similar to the "Preparatory assistance to Government (PAG)" missions carried out under the Special Fund component of UNDP. In the latter case, the major difference is that such exploratory missions will not necessarily result in a longer-term project supported by UNDP (Special Fund). The resultant project will normally be carried out by the industry itself with financial support either from its own resources or from the Government and/or externally from the private sector, from bilateral programmes, or possibly from UNDP. Assistance under these two broad categories - advisory services and exploratory missions - may now be financed from the Revolving Fund as a Special Industrial Services type of activity.

"SIS type projects - whether advisory or exploratory - are expected to be relatively short-term in nature. The anticipated duration should be stated in the request and would be expected in normal circumstances to be of from two to four months in length, in any case not to exceed twelve months.

"Effective immediately, requests from Governments to UNDP for assistance of the SIS type will be transmitted to UNDP and UNIDO through the Resident Representative. The request at this stage will not include a project budget. Since an SIS activity requires speed of response, comments by UNIDO, accompanied by a



project budget prepared on an "estimated actual" cost basis, will be despatched immediately to UNDP. In the event that the choice of another Agency for execution is indicated, UNDP will invite comments and a project budget from that Agency. In authorizing projects of the SIS type from the Revolving Fund, UNDP will notify simultaneously the Participating and Executing Agency and the Government concerned. The Agency will then take the necessary steps, in consultation with the Government, to implement the approved project as expeditiously as possible.

"Requests for SIS type assistance will include background and objectives of the project requested. Whenever the need for training facilities, equipment or contractual services may be foreseen, the request will so specify, indicating the special circumstances which apply.

"Allocations for approved projects, broken down by anticipated year of delivery, will be issued by UNDP from the Revolving Fund, and will cover the full duration of the project. Such allocations will constitute the authority for the in-currence of commitments and expenditures in accordance with the project budget for which the allocation has been issued. Commitments and expenditures against such allocations will be included by Participating and Executing Agencies in their regular financial reports to UNDP under separate headings for "SIS Advisory Services" or "SIS Exploratory Missions", as appropriate.

"At the beginning of each year, the Governing Council will be notified of the allocations issued from the Revolving Fund during the preceding year for SIS type activities with the request that the Council earmark the necessary funds from the current year's SF and TA resources in amounts sufficient to cover the allocations issued. Following such earmarking action, the Revolving Fund will be replenished from the following sources:

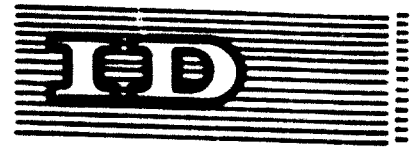
- (a) For SIS projects of an exploratory nature -  
from the UNDP(SF) Account, and
- (b) For SIS projects of an advisory nature -  
from the UNDP(TA) Account.

"Local costs will not be assessed for SIS projects of an exploratory nature unless they result directly in a full project financed from the Special Fund component of UNDP. In the latter case the cost of such exploratory mission

will be added to the estimated cost to UNDP of foreign project personnel, including the cost of foreign personnel of subcontractors, on which the 15 per cent assessment for local costs will be based. Waiver of local cost assessments for SIS missions of an exploratory nature which result in Special Fund-assisted projects will depend on whether local costs are waived for the full project.

"Local costs will be assessed to recipient Governments for projects of an advisory nature at the rate of twelve and one-half per cent of the Expert component of such projects. The assessment for SIS projects of an advisory nature will be notified to the Governments by UNDP upon completion of those projects and upon reporting of the actual costs to UNDP by the Participating and Executing Agency concerned. Waiver of local cost assessments - either full or partial - for SIS projects of an advisory nature will normally be granted in the case of those countries which are currently accorded such waivers under the Technical Assistance component of UNDP. (Local costs will not be assessed for an OPAS expert except when the Government's direct payment to the expert is less than twelve and one-half per cent of the total cost of the expert. In the case of OPAS posts for which local costs are to be assessed, no waiver is permissible.)

"Agency overhead costs may be included in project budgets for all SIS projects at the rate of 14 per cent for projects of an advisory nature and at the rate of 11 per cent for projects of an exploratory nature."



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Agenda item 7

REPORT ON THE PROGRAMME OF SPECIAL  
INDUSTRIAL SERVICES

Corrigendum

Page 5, table 2

Delete: table 2

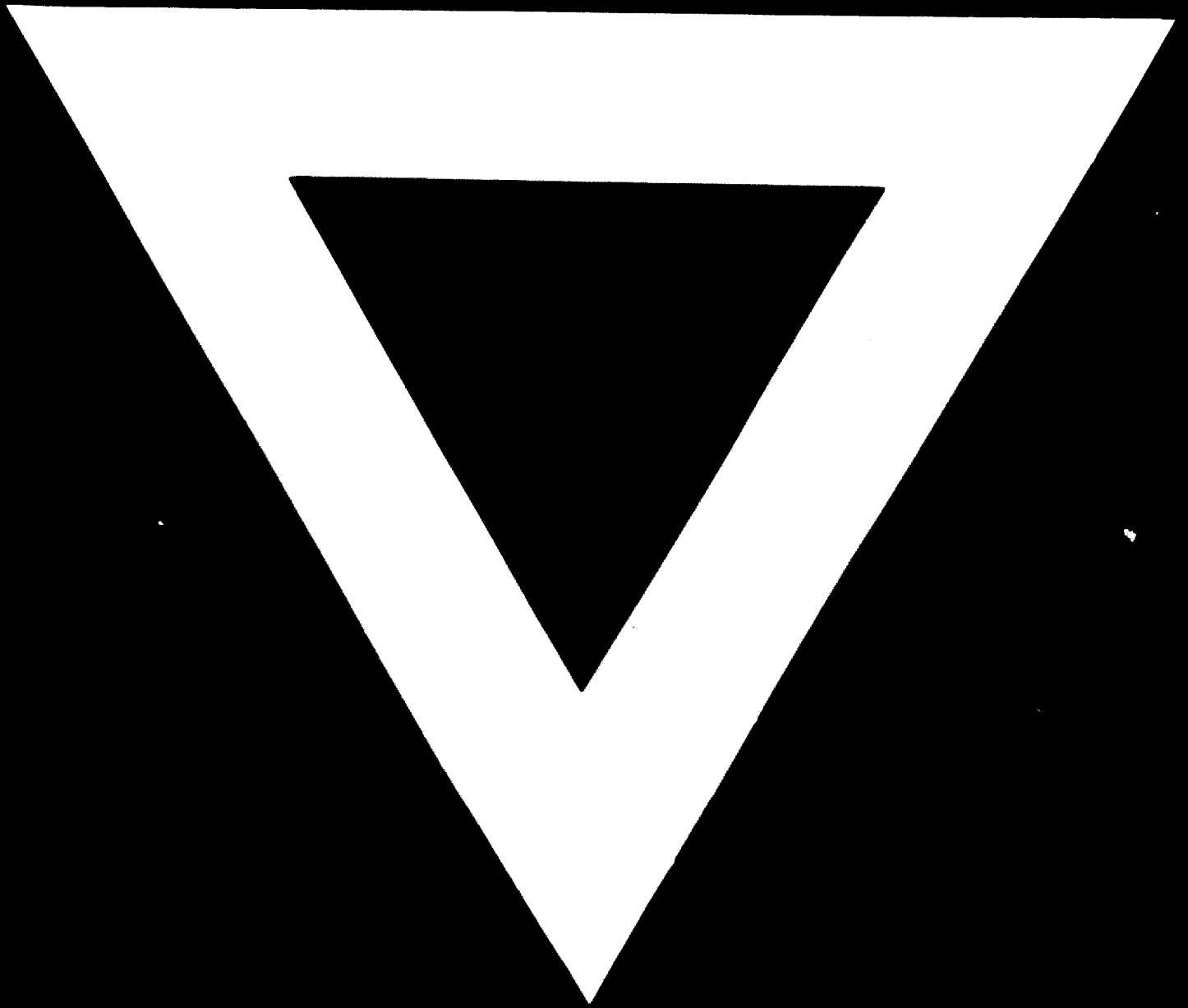
Insert the following: Table 2

Financial status of the SIS programme  
as of 31 December 1969

<u>Resources</u>	<u>US\$</u>	<u>US\$</u>
Funds pledged to SIS Trust Fund		9,157,251
<u>Commitments</u>		
Agency overhead costs	1,124,575	
Projects pending UNDP approval	500,000	
Cumulative value of approved programme <sup>a/</sup>	<u>7,487,201</u>	<u>9,111,776</u>
<u>Balance</u>		45,475

<sup>a/</sup> Excluding two projects, approved in December 1969 of a total value of \$51,500 under the UNDP/Revolving Fund (SIS).





**22 . 3 . 74**