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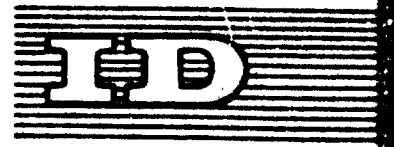
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Agenda Item 4

CONSIDERATION OF THE CAPACITY OF THE UNITED NATIONS DEVELOPMENT SYSTEM

Id.70-2165

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.

1. In the report on its special session, held in New York from 15 - 26 March 1970, to consider the capacity of the United Nations development system, the Governing Council of the United Nations Development Programme "expressed the hope that some documents on the capacity of the United Nations development system might ... be prepared for its tenth session^{1/} by Specialized Agencies and other organizations in the United Nations system".^{2/}
2. The Industrial Development Board may wish to respond to the hope expressed by the Governing Council of the UNDP. Should it decide to do so, the Executive Director submits as an annex to this document a note containing a certain number of observations that may be useful to the Board in this connexion.
3. As the subject matter is related to the document on "Review of Past Performance and Future Prospects of UNIDO" (document ID/B/74), this note is submitted for consideration under the same agenda item.

^{1/} To be held in Geneva, 9 - 26 June 1970.

^{2/} Document DP/L.128, paragraph 11.

ANNEX 1

CONSIDERATION OF THE CAPACITY OF THE
UNITED NATIONS DEVELOPMENT SYSTEM:

Observations by the Executive Director

1. The Board may recall that a commissioner was appointed in July 1968 to carry out a study of the capacity of the United Nations development system. In the course of the study, UNIDO made available a senior officer of the organization to serve as member of an Advisory Group of Senior Officials of the Participating Organizations who were to assist the commissioner in their personal capacities. Discussions were also held with the commissioner during his visit to UNIDO in March and April 1969. The commissioner submitted his report to the Governing Council in November 1969.^{1/}
2. Following the submission of this report, a preliminary exchange of views took place in the 9th Session of the Governing Council, held in New York in January 1970.^{2/} The report was then considered by a special session of the Inter-Agency Consultative Board in February 1970 which, as invited by the Governing Council, made comments on this document.^{3/} These comments, together with a report prepared by the Administrator, and other related documents were before the Governing Council at its special session, held in New York from 16 to 26 March 1970, which was called to consider the Capacity Study. In paragraph 10 of the report of this session, to which reference is also made in the covering note by the Executive Director,^{4/} the Administrator of the UNDP was requested to present to the next session of the Governing Council a number of documents containing his views on the particular aspects of the Capacity Study, particularly programming, financial resources, legislative matters involved in the merger of the UNDP/TA and UNDP/SF programmes, and organizational matters.

^{1/} Document DP/5.

^{2/} See Report of the 9th Session of the Governing Council (preliminary version of document E/4782).

^{3/} These comments are contained in the Report of the IACB on its session (document DP/6).

^{4/} Document DP/L.128.

Consultations between the Administrator of the UNDP and the heads of the member organizations of the IACB took place during the regular session of that body, held in Geneva on 31 March and 1 April 1970. Further discussions will take place in the June session of the Governing Council. The Executive Director took part in both meetings of the IACB, and a statement on his behalf was made to the Governing Council of the UNDP in its special session in March.

3. On the basis of the figures contained in table 1 of the Statistical Appendix to Part One of document ID/B/64, it can be seen that the resources made available by the UNDP for UNIDO operational programmes account for some 80 to 90 per cent of the total resource input of the operational programme of UNIDO. This reflects the vital role of the UNDP programme in the activities of UNIDO, taking into account particularly the anticipated expansion of the resources of UNDP and the expectation that the share of UNIDO in the total resources of the UNDP programme will increase significantly in the coming years. This is to say that any decisions of the Governing Council concerning the future organization and policies by UNDP are bound to affect profoundly the capacity of UNIDO to assist developing countries in industry. Under the circumstances, the Board might wish to convey to the Governing Council its feeling that such decisions should take the fullest account of the needs of the developing countries in assistance in industry and that, in particular, any changes in the policies, procedures and structure of UNDP should fully accommodate the requirements of the operational programmes of UNIDO.

4. It might be recalled that, in the past, the IDB has addressed recommendations to the Governing Council on certain matters of interest to UNIDO. In particular, reference might be made to recommendations on the need to increase the funds available for industrial projects, the need for continuation and expansion of the SIS type programme, and the need to finance and expand the industrial field advisers programme. The Board will have noted that the Governing Council has in all these cases acted favourably on its recommendations.

5. As regards the SIS type of projects, a new arrangement was approved at the 8th Session of the Governing Council in the form of the setting aside of a certain portion of the Revolving Fund to finance SIS type projects.^{5/} The Board might wish to reaffirm the importance of not only continuing, but also expanding, this type of programme, which has proved to be highly effective.
6. The Board may also wish to reaffirm the importance of the programme of industrial field advisers; it is intended to bring their number up to about 30 in 1972 and possibly to a still larger number in the succeeding years. The role of the industrial field advisers is likely to become increasingly important if, as proposed in the Capacity Study, a more systematic form of country programming is to emerge, in which the resident representatives would play the central role. It is also envisaged to expand the functions of the field advisers to include consultations with, and advice to, regional and subregional bodies, so as to develop multi-country projects.
7. Furthermore, in line with the trend towards greater decentralization of programming and implementation under the proposals of the Capacity Study, there is need for strengthening the field establishment of UNIDO by various means, such as, appointment of advisers, either individually or in the form of advisory teams, to provide advice to governments on programming and planning of industrialization and stocktaking of progress achieved under the Second Development Decade; participation in the inter-disciplinary teams envisaged by the United Nations in collaboration with the regional economic commissions; assistance in obtaining finance for industrial projects from international financing institutions and other sources; and assistance to governments as regards promotion of regional industrial co-operation schemes.
8. The new proposals of the Capacity Study also put considerable emphasis on pre-investment studies, as distinct from general technical co-operation, as a major component of the United Nations Development Programme.. It will be recalled that

^{5/} See document ID/B/68, paragraphs 19 to 21.

pre-investment projects are intended to lead directly to financing, whereas general technical co-operation is mainly concerned with the strengthening of the social and economic infrastructure of the countries.

9. The Board is fully aware of the fact that industrial pre-investment studies are of particular importance to the developing countries and that they will form a major part of the operational programme of UNIDO. A few observations may be useful at this point concerning the link between such pre-investment studies and the financing of industrial projects.

10. UNIDO should maintain close contacts with potential sources of finance, both internal and external, so that the financing factor is taken into account at all stages of pre-investment projects. UNIDO has already endeavoured to create this necessary link between financing and pre-investment and will therefore attach increasing importance to contacts with the IRDB and other members of the World Bank Group, regional development banks, and other financial institutions. Developing countries seeking to identify industrial opportunities and sources of financing, both internal and external, for their industrial projects need pre-investment studies in order to formulate and prepare the projects for submission to the financing institutions. These pre-investment studies should be carried out by an organization which is independent of the potential sources of finance so that, in negotiating for the financing, developing countries are thus in a position to benefit from the widest possible range of options. This does not exclude the possibility that the financing institutions may choose, as part of their activities, to review or supplement the pre-investment studies to meet their requirements. The assistance of UNIDO to the developing countries in the preparation of the pre-investment studies should be not only of vital importance to the developing countries but also in the interest of the financing institutions, as this would ensure that final financing agreements are reached in an atmosphere of mutual confidence and acceptance.

11. As regards industrial pre-investment projects, the following considerations should be taken into account:

- (a) As a rule, such projects emerge at short notice and therefore cannot be accommodated under long-term programming of technical assistance. Provision should therefore be made for adequate flexibility in the programming procedures so as to make possible their approval and financing.

as they arise. It should be noted that, because of the nature of these projects, their financing could not be provided for under contingency procedures which apply, as a rule, to projects arising under exceptional circumstances.

(b) As regards approval and implementation, it should be possible to apply business procedures rather than procedures based on public administration.

12. As projects falling within the category of general technical co-operation are related primarily to the development of infrastructure, they are more amenable to long-term programming procedures and also to implementation under standard procedures. They are also related more closely to the general development plans of the countries.

13. There seems to be broad consensus in the Governing Council about the desirability of merging the Special Fund and Technical Assistance components, as proposed in the Capacity Study. Such a merger would imply certain changes in the programming procedures, including the probable use of indicative planning figures for the merged programme. The proposed changes in the programming procedures are one of the considerations that would justify the strengthening of UNIDO's field establishment, to which reference has been made in paragraph 7, above.

14. It has already been mentioned that, in many cases, UNIDO should be in a position to apply business procedures in such matters as recruitment of experts, subcontracting and procurement of equipment. It is also proposed to make greater use of local firms and institutions which would not only make it possible to speed up, in certain cases, the implementation of the projects but would also contribute to the strengthening and developing of these institutions.

15. It is considered that the instruments of technical co-operation should not be confined to the traditional formula of experts, fellowships and equipment. Account should be taken, among other things, of the different levels of development in various countries. Assistance may be required in such forms as high-level consultations both inside and outside the country, supply of equipment or other forms most suited to the circumstances of the country concerned and the objectives pursued. Assistance might be directed also towards strengthening activities of existing local institutions, especially in research and training, through arrangements aimed at expanding their activities by means of relatively limited inputs of resources from UNDP. Small inputs of funds from UNDP would go a long way towards stimulating and strengthening these institutions.

16. More emphasis should be placed on training of advanced technical personnel from developing countries in technical and managerial fields in institutions established for that purpose in developed countries. It is the considered opinion of UNIDO that facilities established in such countries provide the most appropriate industrial environment for such training.

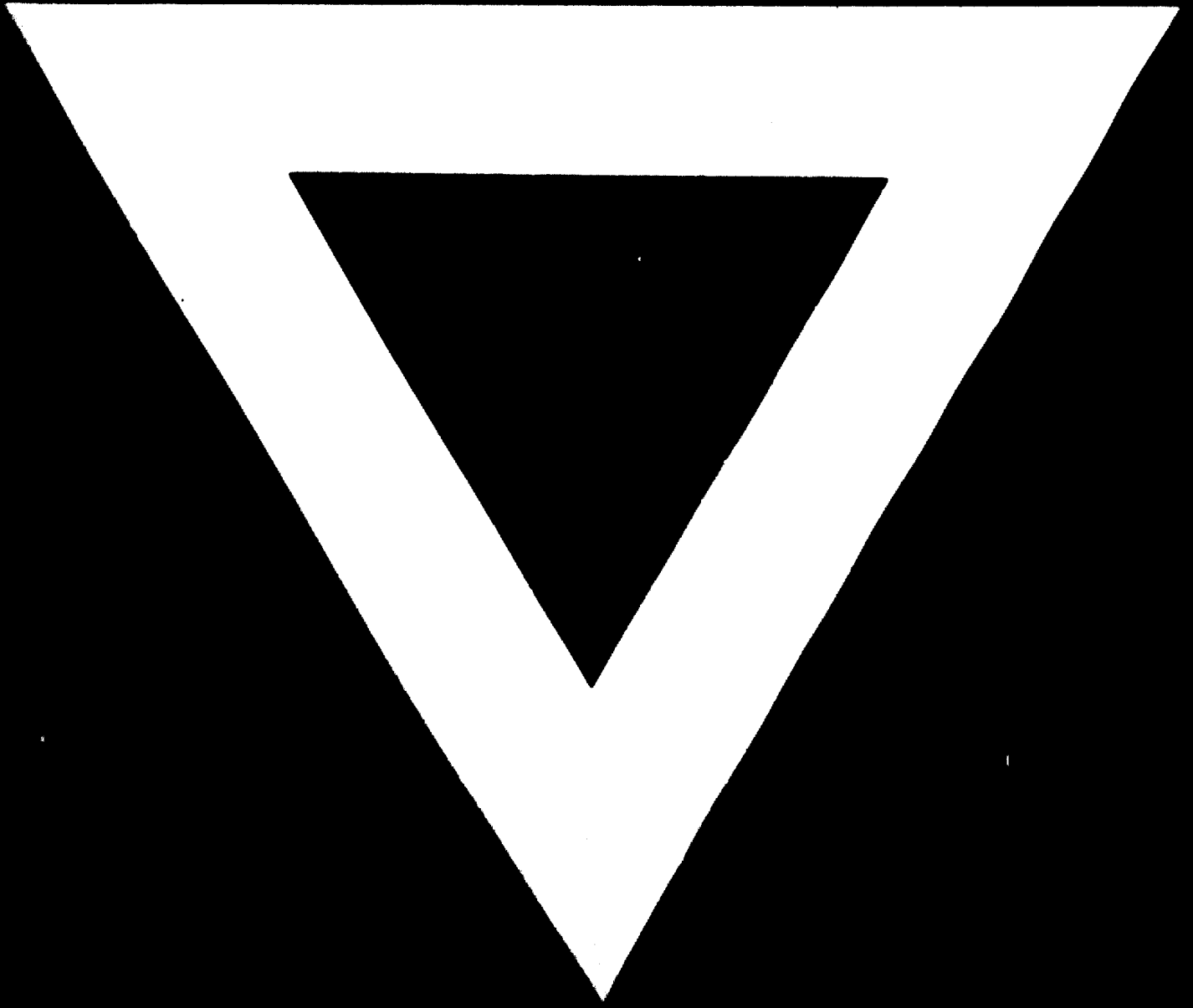
17. In general, assistance should be strengthened in the field of transfer of technology by making it possible to intensify contacts between institutions and persons in developing and developed countries. Such contacts have been part of the activities of UNIDO but on a restricted scale to date. It is proposed to expand greatly such contacts and put them on a systematic basis as a regular part of the technical assistance programme financed by the UNDP.

18. Resources of the UNDP should also continue to be available for operations such as multi-national projects, regional or subregional undertakings, particularly those involving economic integration and industrial harmonization. There is need for expanding the technical assistance that is being provided through certain inter-governmental bodies established on a regional basis (e.g. OCAM in Africa, the RCD countries, the Andean Group in Latin America, the Central American Countries and the Industrial Development Centre for the Arab States (IDCAS)).

19. The Board may wish to express its general support of a certain number of world-wide programmes which are under way, or may be proposed, such as the application, transfer and adaptation of industrial technology to development, protein, human environment etc.

20. The re-organization of UNDP would have important repercussions on the contents and orientation of the technical assistance in industry by all members of the United Nations family. In its comments to the Governing Council, the Board may wish to draw the attention of the latter to the functions of UNIDO under its terms of reference, stated in General Assembly resolution 2152 (XXI), including that of having a central role in the promotion of co-ordination of activities in industry of all the organizations of the United Nations family.





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