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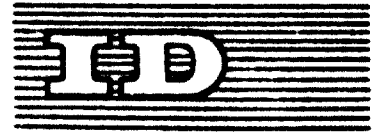
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United Nations Industrial Development Organization

**Industrial Development Board**

Fourth Session

Vienna, 20 - 30 April 1970

**SUMMARY RECORD OF THE NINETY-FIFTH MEETING**

Held at the Neue Hofburg, Vienna,  
on Wednesday, 22 April 1970, at 3.15 p.m.

President: Mr. SEDIVÝ (Czechoslovakia)  
Reporteur: Mr. ARCHIBALD (Trinidad and Tobago)

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GENERAL DEBATE (ID/B/74, ID/B/77; ID/B/L.61, ID/B/L.66) (continued)

1. Mr. BRILLANTES (Philippines) said he noted with satisfaction that the Executive Director recognized the need to make provision for modifications in and possible reorientation of UNIDO's programme in the light of changes that might take place within economic, technological and institutional environments. It followed, as representatives of other developing countries had urged, that the effectiveness and timeliness of such modifications depended on the volume and prompt availability of the Organization's resources.
2. In his Review of Past Performance and Future Prospects of UNIDO (ID/B/74), the Executive Director stated that "the formulation by UNIDO of a world industrial plan, even of indicative nature, would be a highly unrealistic exercise of questionable usefulness". While it was easy to understand the reasoning behind that statement, it was to be observed that the share of the developing countries in world industrial output was so small that UNIDO should not pass up any opportunity of concerning itself with broad industrial programmes for those countries. Although industrial development in the advanced countries did not fall within UNIDO's field of competence, the Executive Director could nevertheless draw the attention of those countries to the difficulties met with in the developing countries in formulating and carrying out industrialization plans. Was it not in fact UNIDO's duty to call upon the goodwill and spirit of co-operation of governments and other agencies?
3. His delegation wanted to pay tribute to the UNIDO officials who had taken part in the long-range country planning mission for technical assistance to the Philippines and was sure that the meeting to take place in Manila in September on the promotion of industrial projects in the Asian region would be as successful as the meetings already held at Tunis and Rabat.
4. As far as the Special Industrial Services were concerned, he noted with satisfaction that the UNDP Governing Council had decided that projects coming under the SIS scheme could be financed from the revolving fund. He had, however, been concerned to read the following words in Annex II of the Report on the Programme of Special Industrial Services (ID/B/68): "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".

There would indeed be a danger of other bodies intruding into UNIDO's legitimate field of activities, were it not that the Executive Director had always made great efforts to transform conflicts over fields of competence into policies for co-operative efforts within areas of common interest.

5. His delegation had requested that an item on the Athens Symposium be included in the agenda for the current session. The Athens Symposium had not in fact been just a meeting, a conference or a seminar like so many others, but was rather the culmination of a series of meetings held not only in the developing regions of Africa, Asia and Latin America, but also in Europe itself. Participants had adopted a number of highly important and far-reaching recommendations, and he hoped - as would be, moreover, in keeping with the provisions of General Assembly resolution 2577 (XXIV) - that the secretariat would draw up a document on the outcome of those recommendations for submission to the Board at, say, its sixth session. As the United Kingdom representative had suggested, the Board could, without necessarily having to adopt a resolution on the matter, record its decision in its report.

6. General Assembly resolution 2578 (XXIV) had suggested the holding of a special international conference of UNIDO and had requested the Board "to formulate its provisional agenda and its basic objectives, including the longer-range orientation of the United Nations Industrial Development Organization, its organizational structure and the question of financing". His delegation supported that General Assembly resolution, just as it had supported the initial resolution adopted by the Board, and it hoped that a conference of that nature, which would bring together both rich countries and less fortunate ones, would lead to a deeper understanding of the need to speed up industrialization in the developing countries. The Philippine delegation was ready to co-operate in every possible way with other members of the Board in preparing that conference so as to ensure that it led to positive results.

7. Within the framework of the Second United Nations Development Decade, UNIDO should pursue its objective of increasing the developing countries' share in world industrial production, but its efforts would be futile unless the advanced countries made their markets more accessible to goods manufactured in the developing countries.

Its activities in that field should therefore be conducted in close collaboration with UNCTAD, particularly in connexion with the system of generalized non-reciprocal and non-discriminatory preferences for developing countries.

8. Lastly, he drew attention to the unique situation whereby the Industrial Development Board, unlike the governing bodies of ILO, FAO, UNESCO, WHO, ITU, WMO and UNCTAD, was not elected by the entire UNIDO membership and asked whether it would not be appropriate to reconsider that election procedure.

9. Mr. ILBOUDO (Upper Volta) considered that, in view of its limited resources, UNIDO should concentrate more on certain priority sectors such as field activities, the Special Industrial Services programme and the training of technical cadres. He noted with satisfaction that both field activities and the SIS programme were expanding steadily, as was the Organization's regular budget, which showed an 11 per cent increase over the 1969 level.

10. In the opinion of his delegation, UNIDO should do still more to benefit those countries which were scarcely industrialized. Its activities would, moreover, be all the more fruitful if they were aimed in certain specific directions, and country programming within the context of a general plan of action for all United Nations agencies therefore seemed to be worthwhile. As had already been said, however, programming of that sort could only be done within the framework of the development plan of each country, with the respective governments retaining the right to fix their own priorities.

11. There was still an urgent need for co-operation between UNIDO and the various specialized agencies; in that connexion, he noted with satisfaction the statements made by the ILO representative. It would also be desirable for UNIDO to co-operate with the sub-regional organizations, especially with the Conseil de l'Entente. In that connexion, there were grounds for satisfaction over the relations which UNIDO had already established with the Common African, Malagasy and Mauritian Organization (OCAMM).

12. Upper Volta was also specially interested in two other matters, namely, pre-investment projects and research activities. With regard to the first matter, his delegation's main concern was that the greatest possible number of pre-investment projects should lead to actual industrial installations. As regards research, UNIDO could and should play an important role by acting as a genuine centre for information and the exchange of data gained through experience.

13. Lastly, his delegation wished to appeal to the developed countries to promote the industrialization of the under-privileged countries by opening up part of their markets to them.

14. Mr. SERRANO (Chile) said that the industrial sector was one of the major generators and users of technology and that if the developing countries did not endeavour to achieve the minimum level enabling them to adapt indispensable techniques to their requirements, the gap separating them from the advanced countries would continue to grow.

15. Employment was another serious problem. The flood of labourers leaving rural areas and the existence of a pool of highly trained workers, which made necessary the creation of new jobs each year, were a permanent challenge to the developing countries' employment policies. Therefore, while new forms of industrial activity must be developed, those industries must also find markets for their products, and in that connexion, mention should be made of the UNCTAD/GATT International Trade Centre, whose market studies on manufactures were appreciated by the Chilean Government. His country's experience, like that of other countries, showed that the more highly processed a product was, the more action was necessary in order to develop it and establish and export flow. UNIDO should therefore assist the developing countries to design products suitable for foreign markets, to establish quality control procedures, to improve productivity and to adopt new manufacturing processes. Its assistance in that regard could take the form, in some cases, of Special Fund projects and, in others, of Special Industrial Services projects.

16. Lack of technical know-how was another stumbling block to the industrialization of the less advanced countries. That could be remedied in various ways, e.g. by the provision of capital, granting of patents or licences for their utilization, provision of technical assistance by other countries or international bodies, etc. UNIDO experts could, in addition to studying the cost and means of transfer of technology, help to set up consultancy services, applied research institutes and the "technology banks", whose establishment had been spoken of at the first meeting on the transfer of technology in the countries of the Andean sub-region.
17. Once the priority sectors in the industrialization of the various countries had been determined, a sectoral programme should be established in the light of the technological infrastructure of the particular sector concerned.
18. A further matter to which the Chilean Government attached very great importance was the problem of evaluating the technical knowledge transferred. It had been said that the advanced countries provided the developing countries with technical knowledge which was poorly adapted to the latter's national economies and failed to take into account their material and human resources. Criteria and standards for evaluating that knowledge would therefore have to be formulated, certain sectors would have to be studied, the technical knowledge to be used or adapted would have to be analysed, and appropriate bodies would have to be set up for that purpose.
19. As the delegations of Latin American countries and other developing countries had brought out at the last session of the Board, all those problems and the concern which they aroused justified the convening of a special international meeting of UNIDO to fix the aims of UNIDO for the next decade and to define the organizational structure which would enable those aims to be achieved. The Chilean delegation felt that it was the responsibility of all countries attending the Board, in particular the developing countries, to take appropriate steps to ensure that the resolution adopted by the General Assembly was implemented.



20. Mr. ARKADIEV (Union of Soviet Socialist Republics) said that there was nothing fortuitous about the Soviet Union's sustained interest in UNIDO's activities. The Soviet Union, which was now in the first rank of industrial powers, viewed with deep understanding the efforts of the developing countries of Asia, Africa and Latin America to emerge from their state of backwardness. The Soviet people knew from their own experience what industrialization was, how important it was, and how best the problems of industrialization could be solved. The ways to solve those problems had been shown by V.I. Lenin. It was perfectly natural that the Soviet people should revere the name of that great man, who had set his country on the high road to progress and shown clear ways and prospects to many other nations. The Soviet delegation thanked the President and the many representatives who had referred in their statements, on the day when the whole world was observing the hundredth anniversary of Lenin's birth, to the role and importance of his life and activities. Lenin had performed great services in the development of policies and practical measures for industrialization. The USSR's experience of industrialization on the basis of Lenin's ideas was a vivid example of the transformation of a great country within a short historical span. The execution of the plan for the electrification of Russia, which had been developed under Lenin's direction, marked the beginning of the industrial transformation of the country, which had been carried out with national resources, practically without foreign aid. Lenin had placed the solution of the fundamental problems of the planning and administration of a socialist economy on a scientific basis. The study and utilization of the heritage of theory which Lenin had left could likewise be of great assistance in the solution of the problems now facing UNIDO and many developing countries in the field of industrial development.

21. The objectives which UNIDO was called upon to fulfil were extremely important. Without industrialization, no country could stand on its own feet or raise to any significant extent the level of material and cultural well-being of its people. UNIDO was striving to show that it was a serious and important organization. Before its establishment there had been a good deal of indifference and apathy in the United Nations regarding problems of industrialization, just as there had been, for example, regarding problems of foreign trade before the establishment of UNCTAD.

22. UNIDO had considerably intensified its activities in the field of industrialization in the last year or two. The financial resources allocated to its technical assistance programmes had been increased. More projects were being carried out under its auspices. UNIDO had begun to give more attention to the dissemination of experience in various branches of industry through symposia, courses for the training of industrial cadres, and study trips.

23. The question arose of the central role and responsibility of UNIDO for supervising and achieving the co-ordination of the activities of all the organizations in the United Nations system in the field of industrial development, as defined in General Assembly resolution 2152 (XXI). The young organization did not yet have sufficient resources or authority, however, to induce all the international organizations concerned with industrialization to pay proper attention to it. So far, UNIDO had to a large extent been merely a recorder of events as far as other organizations were concerned. In order to implement the provisions of General Assembly resolution 2152 (XXI) it was essential that UNIDO should act through the Economic and Social Council which was the main United Nations organ responsible for all United Nations activities in the economic, industrial and social fields.

24. With reference to the main directions and tasks of UNIDO's activities in the light of the resolution in question, he pointed out that in the UNIDO secretariat there was an incorrect and one-sided conception of the tasks of the organization which was clearly reflected by the formula, launched by the secretariat itself, proposing that UNIDO should be a "marriage bureau" between developing countries and foreign capital. The discussions in the Board and the Working Group had not yet led to the definition of any firm principles and policies, the establishment of which came within the competence of the Board, nor had any really expedient proposals been made.

25. As far as the orientation of UNIDO's activities was concerned, he considered that long-term programmes (covering five years or more) of industrial development assistance for groups of countries and individual countries should form the basis for UNIDO's work. Such long-term programmes, which must take account of national development programmes, should be based on the principle of promoting the establishment of national industries in the developing countries with a view to ensuring the latter's economic

independence and raising the standard of living of their people. The correct definition of the key priorities would ensure that the programmes could be carried out in a dynamic and effective manner. The programmes must also provide for the supply of technical assistance on the basis of a comprehensive approach to each country and group of countries. Every effort must be made in the programmes to ensure that each technical assistance project was an integrated part of the overall programme for the country or group of countries, with due regard to the national programmes. UNIDO must also secure the adoption of such an approach by UNDP, if necessary by taking action through the Economic and Social Council and the United Nations General Assembly. The developing countries must be informed in advance of the probable amount of assistance to be provided by UNDP so that, in the light of that information, they could decide on the most effective utilization of their own resources. Assistance and capital from abroad, which were auxiliary sources of aid, should be utilized primarily to strengthen the State sector of the economy in developing countries and to help them to mobilize their own internal resources. Only in that way could such assistance help those countries to achieve economic independence. The mobilization of the internal resources of developing countries could only be successful if broad social changes were wrought in those countries.

26. The Soviet delegation attached great importance to the problem of the transfer of technology to the developing countries in connexion with the question of their industrialization. That problem was inseparable from the general problem of the utilization of the achievements of science and technology to aid development. In particular, the Economic and Social Council must play the part of a co-ordinating centre in that matter. It must define the tasks of each of the United Nations specialized agencies in the solution of the problem of the transfer of technology to the developing countries. UNIDO could become the leading organization in the solution of problems of the transfer of technology within the framework of the United Nations system and it could take it upon itself to work out all aspects of that extensive range of problems. Those problems should be resolved at an international level with due co-ordination of the plans of a number of other organizations such as ILO and UNESCO. In the same connexion, UNIDO's activities in the field of the exchange of technical and industrial information should be

expanded in the light of the developing countries' interest in that subject. UNIDO's activities in the field of the transfer of technology and information could only be successful if the developed countries displayed readiness to provide the information which the developing countries needed. The USSR was ready to consider the question of the establishment of contacts with UNIDO in that field on a regular basis and, if necessary, to conclude an agreement to supply UNIDO with scientific and technical information to be paid for out of the USSR's voluntary contribution to UNIDO or out of Soviet contributions to UNDP. The UNIDO information service must work in close co-operation with international and national information centres. UNIDO should take account of the work now being carried out jointly by the International Council of Scientific Unions and UNESCO on the establishment of a world information system and it should see to it that the system being set up by UNESCO included not only scientific but also industrial and technical information.

27. The problem of sources of finance for the economic development of the developing countries remained extremely complex and thorny, and the question of the relationship between developing countries and foreign capital was connected with that problem. In the preparation of the national plans of developing countries there inevitably arose the question of the relationship between internal and external sources of finance and the limits which should be set for the inflow of foreign capital into those countries. In connexion with that question he wished to draw attention to the fact that the indebtedness of the developing countries had now reached the tremendous sum of about 50 thousand million dollars. The repayment of capital and interest on that debt by the developing countries came to over 5 thousand million dollars, or over half the total yearly flow of foreign capital to those countries. According to expert forecasts, the situation would become still more complicated in the future. A situation should be created in which the Governments of developing countries could obtain capital from foreign sources on acceptable terms and could supervise its utilization to ensure that it was used to further national development programmes. Suppliers of foreign capital should not, as unfortunately often happened, be allowed to give orders to Governments. The sound development of countries should be based mainly on their own resources. The comprehensive calculation and definition of ways and means of mobilizing domestic savings was an

extremely important matter. One of the most effective factors in the mobilization of the domestic resources of developing countries was the State sector of the economy, systems for State regulation of the economy, the expansion of exports, and the improvement of export earnings. Other important factors were the effective utilization of the natural resources of developing countries in the national interest; the skilful mobilization of labour resources; the expansion of investments in industry from private national capital; the uniting of the efforts of particular groups of countries for the joint exploitation of natural resources, and the utilization of international economic assistance in connexion with the training of cadres, the use of new technology, and other fields of mutual interest. At present, UNIDO was giving the developing countries practically no assistance in the study of ways and means of mobilizing and increasing their own resources, and its activities were directed mainly towards helping developing countries to obtain foreign capital. The limiting of UNIDO's activities in that way to the attraction of foreign capital to the developing countries was not in keeping with the many-sided nature of the measures provided for in United Nations General Assembly resolution 2152 (XXI).

28. With regard to the utilization of foreign capital, the Soviet delegation considered that UNIDO could not be a passive recorder of where and how developing countries could obtain such capital. UNIDO should strive to promote a state of affairs where such capital was used in the national interests of the developing countries and supplied to them on the most acceptable and advantageous terms. With that aim in view, UNIDO should draw up principles and conditions for the provision of capital from foreign sources on terms which were advantageous to the developing countries, and it should strive to make these conditions a reality.

29. Factors of great importance for the expansion of sources of finance for industrialization were foreign trade, the expansion of exports, the improvement of export earnings and the achievement of savings by securing more favourable conditions and prices for the import of equipment and materials into the developing countries. It was essential that there should be close co-operation between UNIDO and UNCTAD in respect of the improvement of the foreign trade conditions of developing countries on the basis of the principles adopted at the first UNCTAD conference.

30. The foreign trade problems of the developing countries were still far from being solved. Their solution was hindered by the irrational system of world division of labour which had grown up during the period of colonialist domination, the retention in the economies of the developing countries of relics of colonialism, and the discriminatory neocolonialist policies and practices of certain countries. A source of concern was the unfavourable trend in the import of capital equipment, which was working to the disadvantage of the developing countries. Thus, according to United Nations data, the developing countries' share of imports of machinery and equipment from the non-socialist countries of the world had sunk over the decade 1959-1968 from 34 to 24 per cent. That showed that the process of industrialization of the developing countries had still not gained the requisite drive and momentum. The scientific and technical revolution taking place in the world of today had hardly touched the developing countries. Urgent and effective measures were called for, especially from UNIDO, to clarify the reasons for the situation which had arisen in that field so that it could be put right. With regard to the industrialization of the developing countries, an important role was being played by the increasing co-operation of many such countries with the USSR and other socialist countries. The importance of such co-operation for the economies of many developing countries was constantly increasing. The rapid growth of the planned economies of the socialist countries created a wide and continually growing export-import market for many countries in Asia, Africa and Latin America. The basis for the trade and economic relations and technical co-operation between the USSR and the developing countries was the spectacular development of the Soviet economy, as shown by the facts and figures illustrating the great economic achievements not only of the USSR as a whole, but also of its various national republics.

31. The successful development of the USSR economy had a definite influence on the nature of the USSR's trade and technical co-operation with the developing countries. The USSR now had trade and payments agreements with over fifty developing countries. The mutually advantageous nature of the trade agreements and credit terms were causing many developing countries to take a great interest in the development of trade with the USSR. Their interest was also due to the fact that they had the possibility of paying for their imports from the USSR with their traditional export products and

with products of their fledgling industries, which they had considerable difficulty in selling on the markets of Western countries. The USSR had agreements on economic and technical co-operation with over forty countries. The main feature of the USSR's co-operation with developing countries was the provision of assistance in the development of the latter's national industry. The USSR had given or was giving aid to the developing countries in the construction of over 700 plants and factories, 326 of which were already in operation. Although it gave aid in the construction of industrial enterprises in the developing countries, the USSR never made the slightest claim to any right of ownership of those enterprises, which were the property of the developing countries themselves. Such a system of relationships was a guarantee to many developing countries that they could carry out a considerable part of their economic development programmes without having to seek foreign exchange resources.

32. A further important aspect of the economic and technical assistance of the USSR to developing countries was that Soviet specialists carried out geological prospection work in them, participated directly in the planning and construction of buildings and plants, and helped to organize planning, to train cadres, and so forth. In the last few years, Soviet specialists had trained over 150,000 local personnel to be skilled workers and technicians. With Soviet co-operation, the developing countries were fitting out or organizing 115 training institutions, about 70 of which were already in operation. About 35,000 nationals of newly-independent States had been given in-plant technical training in the Soviet Union.

33. The equitable and mutually advantageous nature of economic links with the USSR and other socialist countries, and indeed the very fact that there was a possibility of establishing such links, was favourably affecting the whole position of the developing countries in the world. The existence of such links was obliging the Western Powers to review their policies to the benefit of the developing countries and to grant them trade concessions, better loan conditions, credits, and so forth. The USSR co-operated extensively with the United Nations and the organizations of the United Nations system, especially UNIDO, in the provision of assistance to the developing countries. The Soviet delegation had already referred in the Working Group to the wide range of activities being carried on in that field in the USSR, especially through the Soviet contributions to UNIDO and a number of other organizations.

34. With regard to the question of the organization of the work of the Board, he noted that the Working Group had shown in practice that it was capable of undertaking the discussion of important questions. He proposed that, for the purpose of carrying out work between Board sessions, the Board could occasionally set up special committees or ad hoc groups to study, formulate and prepare practical recommendations on important specific problems regarding UNIDO activities.

35. The Soviet delegation confirmed the Soviet Union's keen interest in the success of UNIDO's activities and the readiness of Soviet industrial and scientific organizations to engage in international co-operation to promote the industrialization of the developing countries.

36. In order to increase the effectiveness of United Nations activities in the provision of financial assistance to the developing countries it was necessary, in particular, to achieve more effective utilization, in the interests of the developing countries, of the resources of UNDP, UNIDO, and other organizations. He wished to refer to certain sections of the Jackson Report and the note by the UNIDO secretariat (ID/B/77) in that connexion. He pointed out that UNDP (through its Special Fund component) was manifestly obsessed with pre-investment activities and was mainly concerned with opening up developing countries to the influence of IBRD and foreign private capital. The possibility of using UNDP resources for the building of experimental and pilot plants was being practically ignored. So far, few resources had been made available for the industrialization of the developing countries. UNDP was not making sufficiently effective use of the funds allocated to it by Governments. Thus, for example, 13 million roubles of idle funds had accumulated in UNDP's accounts in USSR banks. With that sum, quite a number of projects of importance to the developing countries could be carried out.

37. With regard to the Jackson Report, the Soviet delegation was in agreement with a number of the proposals made in it, especially those connected with the need for reorganization of the system of United Nations technical assistance bodies and of the administration of technical assistance because of their unwieldiness, their complex of administrative procedures, their bureaucratic nature, the considerable degree of arbitrariness in the approval of projects, the low level of efficiency,



and the high administrative costs. That section of the Jackson Report, however, was the least developed of all. The Soviet delegation supported the idea of increasing the co-ordinating role of the Economic and Social Council in the United Nations system of economic and social organizations and agencies and the proposal for the formulation of long-term country plans for technical assistance, but only on condition that the right of the country representatives to take initiatives in the preparation of those programmes was guaranteed and that there would be no interference by United Nations representatives in the internal affairs of developing countries. The Soviet delegation also supported the stabilization of technical assistance expenditures in the regular budgets of the United Nations and the specialized agencies, the concentration of such expenditures in UNDP, and the transition to a voluntary system.

38. The Soviet delegation opposed the subordination of the comprehensive aid programme of the United Nations system to the interests of IERD, which, according to Sir Robert Jackson, was the main instrument of the United Nations system in the field of capital investments. Nor did the Soviet delegation agree that UNDP should subordinate its pre-investment activities to the investment activities of the IERD (World Bank) group. That would mean opening the way to neocolonialism through the United Nations system. No form of reorganization would be acceptable to the USSR if it made the United Nations aid system dependent on the World Bank group. The Soviet delegation was opposed to any diminution of the role of the Governing Council of UNDP as far as projects were concerned and to any moves to exalt the Administrator and Resident Representatives of UNDP to the position of autocratic rulers on such matters, and it wished to emphasize its disagreement with the idea of setting up any special "brains trust" alongside the Governing Council of UNDP as well as with the idea of a special permanent self-contained body of officials like the proposed "United Nations Development Service". The Soviet delegation maintained that that would run counter to the principles of equitable geographical distribution and of utilization of the experience of countries with different social and economic systems and would lead to the ossification and bureaucratization of the administrative machinery by a select élite.

39. Any reorganization of UNDP would of course have immediate repercussions on the activities of UNIDO. It was therefore surprising that the drafters of note ID/B/77 had not found time to inform the Board of the first agreed results arrived at by the members of the Governing Council of UNDP and stated in documents DP/6, DP/7 and DP/8. In conclusion, the USSR delegation wished to emphasize that UNIDO should become a universal organization. All countries, regardless of their social or economic systems, should have the right to participate in its activities and co-operate in the exchange of experience and knowledge in order to solve questions of industrialization and economic development. The fact that the German Democratic Republic had not yet been admitted to full and equal participation in UNIDO was therefore totally unjustified and due to political bias, for the German Democratic Republic was an industrially and economically powerful country with intensive and extensive trade and economic links with many developing countries. The developing countries themselves were in the forefront of those having an interest in the favourable settlement of that matter.

40. Mr. BILLNER (Sweden) thought that the role of UNIDO should be that of an executing agency for UNDP field projects. The resources made available to UNIDO by UNDP represented 80-90 per cent of the total value of the funds for the operational programmes of the Organization. It should also be noted that UNIDO would undoubtedly benefit from the anticipated increase in UNDP's resources.

41. UNIDO had so far been entrusted with the execution of a total of 53 Special Fund projects, three of which had been completed; plans of operation had been signed for 25 of the projects but not for the remaining 25. Only two new Special Fund projects would be allocated to UNIDO at the meeting of the Governing Council of UNDP in June. The situation was therefore not altogether satisfactory and the question naturally arose as to how the position could be improved. The cumbersome recruiting procedures were certainly a difficulty, but measures had recently been taken to ease the situation, and the recruitment of experts for SIS projects had already been transferred from New York to Vienna.

42. The Executive Director had very rightly pointed out (ID/B/77) that the re-organization of UNDP would have an important impact on the field activities of UNIDO and would probably involve considerable changes in the structure of the Organization, with the establishment of a system of long-term country programming and a strengthening of the role of the resident representatives in establishing programmes of assistance. UNIDO should try to identify some areas in which experience had shown that its operations were particularly useful to the developing countries in their efforts to industrialize, and, to avoid a dispersion of resources, it should draw up a scheme of priorities for its work. Within the limits of its resources, UNIDO should be ready to respond to requests of any kind, giving the developing countries themselves the last word in regard to priorities, as was emphasized in the Capacity Study. Since the various countries had reached very different stages of industrialization, UNIDO should propose a number of sectors which it regarded as meriting priority.

43. All the operations financed by UNDP were not equally adapted to long-term programming, and a distinction should perhaps be made between pre-investment studies, which led directly to financing, and general technical assistance activities, the main object of which was to strengthen the economic and social infrastructure of the recipient countries. In that connexion the Executive Director had made some very pertinent comments on the Capacity Study in document ID/B/77.

44. There could be no question of trying to set up a fixed order of priorities. On the contrary, UNIDO should constantly adapt its activities to the needs of the developing countries, and, if some of the forms of assistance which it supplied proved to be of only minor interest. They should be discontinued. On the other hand, if UNIDO was unable to fulfil certain demands, it should either be restructured or it should sub-contract the projects in question.

45. It was perhaps rather early to try to define a large number of long-term priorities; after a few years the findings of the long-term missions, the experience of the field advisers and the results of new country programmes would enable the Organization to obtain an over-all picture of the main fields in which it should provide assistance.

46. In regard to industry, the draft international development strategy merely proposed a target growth of 8 per cent per annum and mentioned some of the steps which developing countries should take to achieve that target. In the opinion of the Swedish delegation, and as indicated by the Executive Director in his report (ID/B/74 paragraph 43) the activities of UNIDO should be limited to surveying the needs of developing countries, providing assistance with a view to formulating appropriate policies and standards and to assessing the results obtained and the progress achieved by them in realizing their industrial aims. He was doubtful, however, of the value of econometric projections and models of industrial development.

47. Two fields in which UNIDO's assistance would be valuable were employment and environment. So far as employment was concerned, UNIDO should work in close co-operation with ILO, and problems like management training, vocational training and social progress in general fell within the competence of both organizations. It should never be forgotten that investments, however large, were liable to be wasted if there were social upheavals or a disruption of the labour market. Many social reforms favoured economic development; for instance, a more equitable distribution of income led to increased purchasing power and hence to economic progress. The crucial importance of higher employment should encourage UNIDO to explore the possibilities of labour-intensive projects, for example, in building works, the textile and leather industries and the industries based on agriculture. The employment situation in the developing countries was one of the most alarming problems of the time; already one third of the labour force of those countries was unemployed or under-employed and, according to the forecasts, the proportion would reach 50 per cent during the Second Development Decade.

48. Because of Sweden's concern for the protection of the human environment, the Swedish delegation particularly welcomed the statement by the Executive Director that UNIDO intended to give increasing attention to that problem during the coming years. Economic and particularly industrial development led to a deterioration of the environment, and the industrial countries already had to face grave problems of water and air pollution. The problems were not so serious in the developing countries, and perhaps these countries were at an advantage since, from the very beginning of industrialization, they could choose technologies and processes which would enable them to avoid or at least to reduce the risks of pollution.

49. The Swedish delegation regarded the Working Group on Programme and Co-ordination as a useful subsidiary organ of the Board, but it wondered whether the Working Group, like the Board itself, did not devote too much time to supporting activities to the detriment of UNIDO's work as an executing agency for UNDP projects and its other functions within the United Nations system. The role of the Board should be to advise the Executive Director on all important aspects of the work programme - the improvement of methods of preparing and implementing projects, the advisability of increasing the number of field advisers and the solution of co-ordination problems.

50. If it was to be able to perform its task, the Board needed documentation giving it a more accurate picture of the actual size of UNIDO's activities and containing information on the results obtained by field activities and on the problem arising in the implementation of Special Fund projects. A useful step would be for the Board to set up a working group to look into all those problems in close co-operation with the secretariat.

51. Mr. SMALL (Brazil) said it was gratifying that, since its establishment, UNIDO had adopted a policy based on goodwill and mutual understanding which - as was pointed out in paragraph 40 of document ID/B/74 - was of more service to the industrialisation of the developing countries than the confrontation of dogmatic views. The basic premise for such an approach to the actions of UNIDO as an intergovernmental organisation was, however, the readiness of all parties concerned to co-operate whole-heartedly. Since its inception, UNIDO's performance had frequently been evaluated as if it were a specialized agency.

52. The Brazilian delegation was also glad to see that the idea that certain functions should be increasingly decentralized was gaining ground. It had suggested the establishment of subsidiary organs to facilitate the work of the Board and to allow for a more diversified participation of UNIDO's members at the annual sessions; since that proposal had not met with a favourable response, he would recommend, when the item came up for discussion, that the question should be referred to a later session.

53. Brazil had always supported the Pledging Conferences and it hoped that more countries would take part in them.

54. The Brazilian delegation was convinced that UNIDO would not shrink from any of the tasks assigned to it under resolution 2152 (XXI). It should not rest content with being an organization for providing technical assistance and making pre-investment studies; it should also, as the Executive Director had said in his report (ID/B/74, paragraph 18), "serve as a forum for discussions and exchange of ideas at high governmental levels ..." and "provide a rallying point for the aspirations for the developing countries". It should also assist governments in the framing of industrial development policies. The Brazilian delegation had always considered that one of UNIDO's main functions was to formulate the basic strategic options available to the developing countries. That would not only give meaning to UNIDO's field activities, but would redress the growing lack of balance between its operational activities and its research programme, which was so important as a means of enabling the developing countries to avoid the numerous pitfalls inherent in the industrialization process. As the Brazilian delegation had emphasized at the last session of the General Assembly, what the developing countries needed above all from an international organization was the provision of know-how and hard facts based on experience. UNIDO was the only organization which could perform that task in respect of industrial development and for that reason the Brazilian delegation would support the expansion of its research activities.
55. Several delegations had referred to the need to increase UNIDO's efficiency; but the word "efficiency" meant not only the best utilization of existing resources, but also the adaptation of those resources to given purposes. If the purpose was the industrialization of a developing country, then the appropriate decisions could only be taken by the country concerned.
56. General Assembly resolution 2152 (XXI) drew a clear line between the respective competence of UNIDO and UNCTAD, because the General Assembly attached great importance to co-operation between the two organizations and intended such co-operation to be as wide as possible. The Brazilian delegation hoped that the agreement now being studied would meet the wishes of the General Assembly.
57. Throughout the world, governments were considering proposals and recommendations put forward in studies prepared for the Second Development Decade. It was too early to draw up a plan of action taking account of the decisions which might be taken on the basis of those proposals; UNIDO, however, should not remain passive and should start at once to try to decide what contribution it could make to the Second Development Decade, particularly in counteracting the slackening of manufacturing output in the developing countries reported in the Industrial Development Survey.

58. The Brazilian delegation therefore agreed with the Executive Director that at the present stage of UNIDO's evolution a careful examination of the expected long-term trends of its work was most appropriate (ID/B/74, paragraph 93) and that the proposed intergovernmental conference would provide the opportunity to make such an analysis and to set UNIDO on firmer ground at the start of the Second Development Decade.

59. One of UNIDO's most important tasks during the Decade lay in the transfer of technological know-how. At its Vina del Mar conference in 1969, the Special Committee on Latin American Co-ordination (CECLA) had expressed the unanimous view that it was necessary to accelerate the transfer of technological know-how, strengthen technological infrastructures, eliminate restrictive practices in the field of patents and review international conventions in that field in order to give the developing countries greater access to modern technology.

60. Mr. ABUBAKR (Sudan) said that during the year that had elapsed since the Board's last session, UNIDO's field activities and headquarters programmes of study and research had expanded in a highly satisfactory manner. As the UNDP representative had said, UNIDO had made a great leap forward during that period. At the previous session of the Board, the Sudanese delegation had said that, consciously or unconsciously, UNDP was channelling its resources in a way which tended to maintain the hegemony of FAO, ILO and UNESCO in the field of industrialization. Such a trend could only hamper the natural growth of UNIDO; the Sudanese delegation had accordingly been glad to hear the statement by the UNDP representative that, since the last session of the Board, substantial progress had been made in co-operation with UNIDO with a view to accelerating industrial development. It had also been glad to note the resolution of the Governing Council of UNDP authorizing the Administrator to increase the number of projects for which UNIDO was the executing agency and the measures envisaged by UNDP for co-operating with UNIDO.

61. It was disappointing, however, to find that it was proposed to finance all the industrial development activities of the United Nations system out of the Revolving Fund, which meant sharing those resources between UNIDO and the other specialized agencies and thus reducing the funds available to UNIDO under the SIS. The Sudanese

delegation urged that greater resources should be made available to UNIDO; it was convinced that of the four sources of financing on which, theoretically, UNIDO could draw, the Pledging Conference might still prove the most reliable and the most abundant, provided the attitude of certain countries to it changed or became more positive.

62. With regard to the Regular Programme of Technical Assistance, the Sudanese delegation welcomed General Assembly resolution 2511 (XXIV) by which the Assembly had decided to maintain the separate section in chapter V of the United Nations budget for technical assistance requirements in the field of industrial development. That money was being well utilized for the benefit of the developing countries and the Sudanese delegation hoped that more resources would be made available under that chapter.

63. According to document ID/B/77 - Consideration of the Capacity of the United Nations Development System - the Board had been invited to express an opinion on the reorganization of UNDP. The Board should take the opportunity to make its views officially known.

64. Document ID/B/74, entitled "Review of Past Performance and Future Prospects of UNIDO", would greatly assist the resumption of discussions on the future activities of the Organization. The Sudanese delegation thought that UNIDO, with the limited resources at its disposal, had utilized those resources in the best possible manner; but it was for the developing countries themselves, and not UNIDO, to fix the priority targets of their industrial development process in the light of prevailing conditions.

65. The Sudanese delegation opposed the establishment of subsidiary organs of the Board; the Working Group on Programme and Co-ordination had proved that it was capable of assisting the Board in the discharge of its functions.

66. The Sudanese delegation attached great importance to UNIDO's role in the co-ordination of industrial development activities and noted with satisfaction the progress made in that matter. UNIDO's role in that respect should not be restricted to organizations within the United Nations system, but should extend to outside organizations.



67. The Sudanese delegation had taken note of document ID/B/72 on the convening of a special international conference of UNIDO, and regretted that the project had found so little support at the twenty-fourth session of the General Assembly.
68. On the occasion of the centenary of the birth of Lenin, he (Mr. Abubakr) wished to pay tribute to the memory of the man who had transformed Russia into a modern industrial State. He also wished to express the view that an industrialized country like the German Democratic Republic should be accepted as a member of UNIDO.
69. Mr. STIBRAVY (United States of America) said that UNIDO had been given not only one of the most important tasks in the United Nations system but also one of the most difficult and complex. As yet, however, the Board and the Working Group, in their deliberations, had been only partially successful in defining the fields in which UNIDO's contributions might be most effective. Perhaps the problem might be tackled in a slightly different way.
70. As regards supporting activities, in contrast to field activities, which were undertaken in response to explicit requests from governments, it seemed clear that the programme was largely determined by the secretariat. The secretariat, on the basis of its experience, was able to decide what types of activities contributed most to effective field operations and could be carried out with advantage; it would perhaps be useful if the secretariat would indicate its ideas on that point when submitting its 1972 programme to the fifth session of the Board.
71. Regarding field operations, many members of the Board must have had some difficulty in discerning any precise pattern in most of the country lists of projects contained in document ID/B/64, and consequently in forming any judgement on the contribution UNIDO was making to the achievement of the recipient countries' industrial development objectives. It could however be assumed that a programme resulting from discussions between the members of a UNIDO country mission and the government concerned would reflect, in some measure, the country's development goals, its sense of priorities and some concern to select the most effective methods. The Board would be better informed on the manner in which the country programmes were constructed and what their objectives were if the Executive Director could next year submit the reports of three or four missions, accompanied by some discussion of the country's industrial development objectives and of the way in which it was thought the UNIDO projects would help to achieve them. That would perhaps help to identify the areas in which UNIDO's services

could be of greatest benefit, to evaluate the effectiveness of different techniques and to bring out more clearly the correlation between field activities and supporting activities. In its concern to reach an accurate evaluation of the United Nations development system, the Government of the United States had very carefully examined the diagnosis, conclusions and recommendations in the Capacity Study and had communicated its observations to the appropriate organizations. It was already known that the United States Government was in agreement with the principal findings of the study in question. He hoped that UNIDO would take advantage of whatever decisions were made in the light of that study to improve still further its efficiency, the quality of its programmes and the speed with which it acted.

72. His delegation had also taken note of the Executive Director's observations on the Capacity Study contained in document ID/B/79, and it had read with interest the Review of past performance and future prospects of UNIDO (ID/B/74); it endorsed most of the observations relating to the long-term programme, noting however that for the most part only general lines of action were indicated and that the important practical choices remained to be decided as the implementation of the programme proceeded. Nevertheless, his delegation was already able to welcome the emphasis on country-level programming, the intention of the secretariat not to prepare a world plan for industrialization, the establishment of close working relationships with international financing institutions and the intensification of efforts to set up machinery for effective co-operation with other organizations of the United Nations system concerned with industrial development. His delegation fully approved the conclusion that UNIDO could become an effective instrument for promoting industrialization of the developing countries and thought in that connexion that too much should not be made of the argument that existing institutional and financial arrangements restricted UNIDO's freedom of action; there were in fact no fixed limits to the availability of operational funds for projects in the field of industrial development, apart from those arising from requests from recipient countries; from the technical feasibility and usefulness of the projects, and from the ability of UNIDO to carry them out. Nevertheless, certain procedures or policies which had developed within existing institutional arrangements might impair the efficiency of the operations, and the problems of recruitment mentioned in paragraph 63 were an example of practices which required improvement.

73. During the session of the Working Group the United States delegation had had occasion to praise the many good points of UNIDO's work programme and to make some criticisms which it hoped were constructive; it welcomed the fact that UNIDO had taken its place among the United Nations agencies, and that it (the United States delegation) had been able to make some contribution to fashioning the Organization. It had constantly urged that the role of the Organization should be expanded; the contribution paid to the UNDP by the United States in 1970 had been increased to \$86 million, 38 per cent more than the previous year; that decision had been motivated partly by the United States Government's desire to ensure larger resources for UNIDO's operational work. The United States representatives at the UNDP Governing Council had contributed to the adoption of arrangements which had placed the financing of the SIS programme on a permanent basis, and the delegation of the United States was co-operating with the secretariat in recruiting qualified experts in industrial and business circles in the United States.

74. Reference had been made in the debate to the role of foreign private investments in industrial development. For the United States alone direct private investments in foreign countries had increased from \$32 thousand million in 1960 to \$65 thousand million in 1968. It was regrettable that in speaking of foreign private investments and the cost of servicing debts, no account at all was taken of the fact that those investments created new production to a value many times greater than the interest paid to the foreign investors. Obviously the country in which the funds were invested assumed greater annual financial obligations, but the increase in value of the national product was also much greater. The industries, once established, remained in the country, provided employment and continued to contribute to the economic growth of the country, to say nothing of the advantages resulting from the training of management and labour and from the stimulus given to local industry. Nor must it be overlooked that in the case of equity investment, the income accruing to the investor was paid only out of net profits. It should also be noted that a large part of the profits did not leave the country and were immediately reinvested in the firm.

75. Some of the criticisms made were based on the theory that foreign private investment harmed the balance of payments. Due account must be taken, however, of the contribution which direct foreign investments made to general economic development, of the positive role which they played in increasing the gross national product, expanding employment and tax revenue, and of the technological benefits which they brought. For example, between 1965 and 1968 private investments by the United States in Latin American countries had been reflected in an improvement in the balance of payments of those countries of about \$8.55 thousand million per annum. The enterprises created had earned for the region some \$4.5 thousand million per annum in the foreign exchange from their exports and had enabled it to save about \$4.79 thousand million a year in foreign exchange through import substitution.

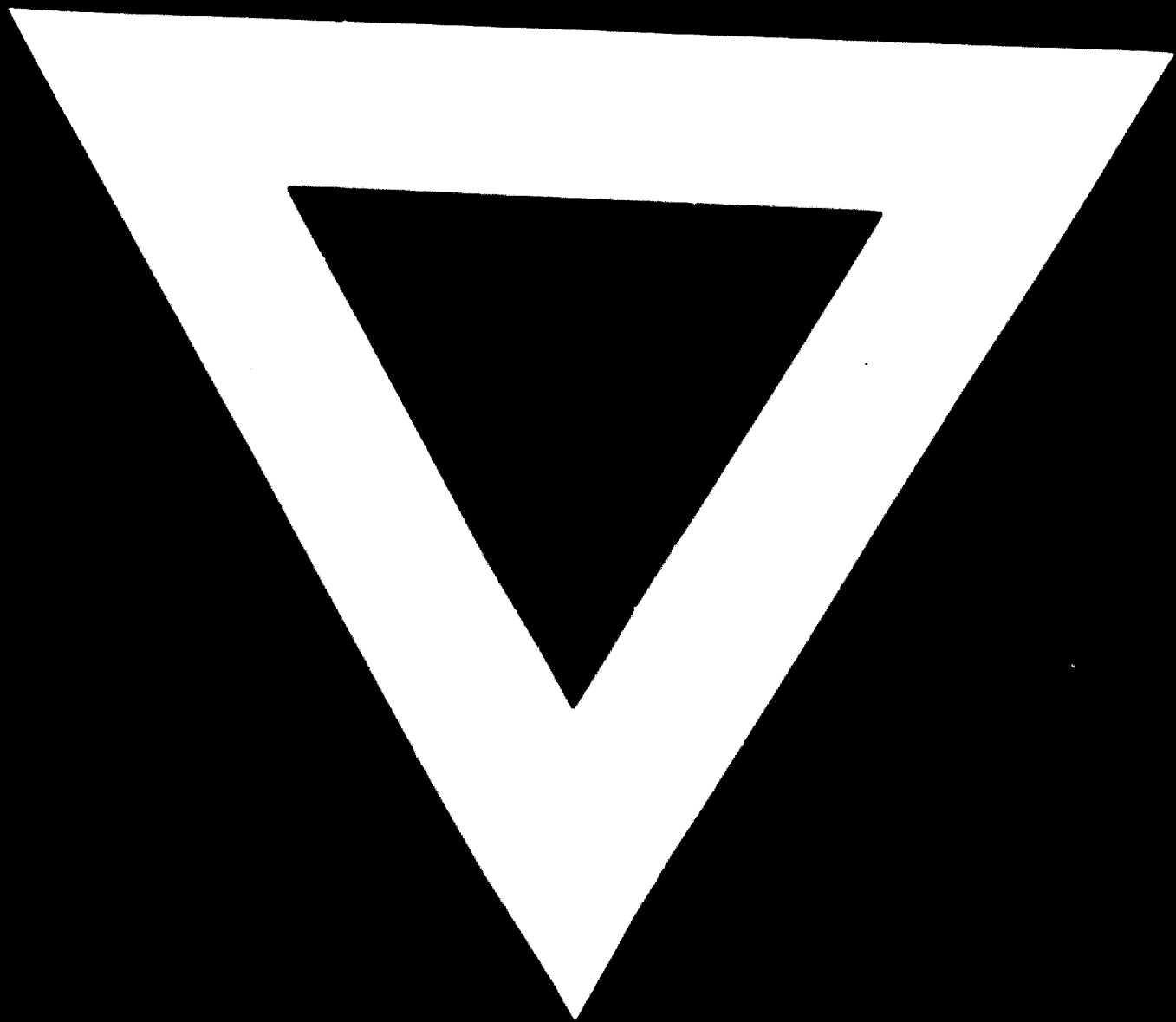
76. The total private investment by the United States in Latin America was higher than the annual level of capital inflow and outflow. It was therefore correct to say that the higher the amount of foreign investment, the greater was the economic benefit to the country. In spite of the unfavourable situation created by inflation and political instability, private investments from the United States had continued to increase and now exceeded \$12 thousand million, against only \$4.6 thousand million in 1950 and \$8.3 thousand million in 1960. From 1960 to 1967 direct investment by the United States in Latin America rose by \$3.6 thousand million, of which \$2.3 thousand million was in industry and commerce.

77. Consequently to say, as some speakers had done, that such investments benefited only foreign investors and were a device employed by foreign exploiters and neo-colonialists to thwart the aspirations of the developing countries was a complete distortion of the facts.

78. He wished UNIDO every success in its efforts to bring to the developing countries the benefits of science and modern technology.

The meeting rose at 6.30 p.m.





**28.3.74**