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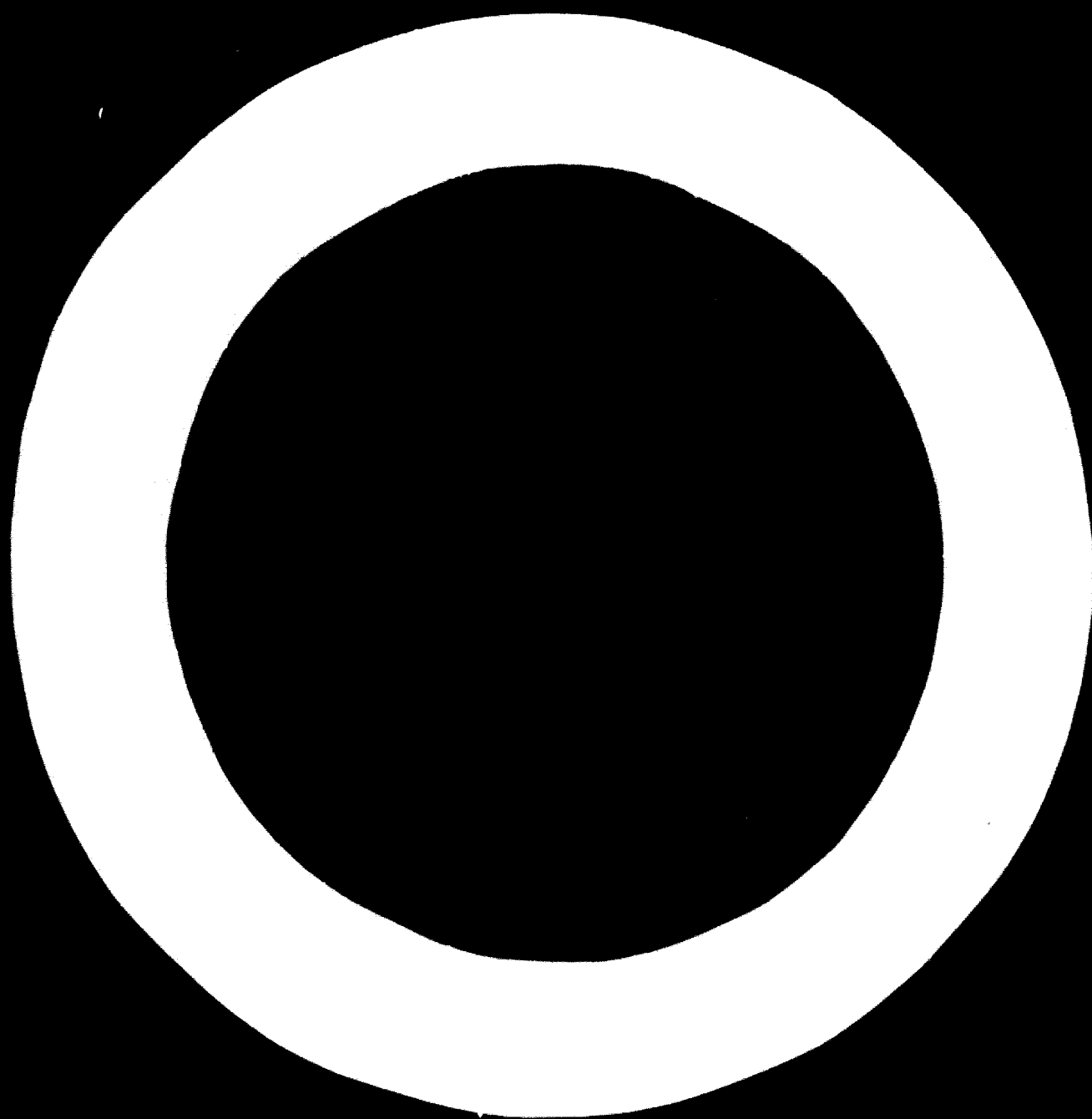
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### REPORT ON THE PROGRAMME OF SPECIAL INDUSTRIAL SERVICES

id.71-688



Contents

	<u>Paragraph</u>	<u>Page</u>
Introduction	<u>1 - 4</u>	<u>3</u>
Development of the programme	<u>5 - 33</u>	<u>3</u>
Financial status	5 - 7	3
Requests for SIS assistance	8 - 9	5
Approved projects	10 - 11	5
Implementation of the programme	12 - 16	5
General trends and achievements	17 - 33	8
Future of the programme	<u>34 - 37</u>	<u>11</u>

## INTRODUCTION

1. The programme of Special Industrial Services plays an important role in the operational activities of UNIDO. In the four years of its existence, the SIS programme has proved to be a very effective tool in the resolving of urgent and pressing problems of industrialization in developing countries.
2. The purpose of the present report is to provide the Board with an outline of the main developments in this programme during 1970, as well as of the anticipated trends in 1971 and 1972.
3. In previous reports to the Board on this subject, the origin and purpose of the SIS programme have been described in detail.<sup>1/</sup> The Board will recall that the SIS programme was established in 1966 as an instrument through which urgent and specific needs for technical assistance arising in the industrial sector of the developing countries could be met.
4. The SIS programme was initially financed from voluntary contributions pledged to a trust fund which was administered jointly on behalf of the Secretary-General by the Executive Director of UNIDO and the Administrator of UNDP. The fast growing demands on the SIS programme gave rise to a rapid depletion of the trust fund, and steps were taken by the Industrial Development Board and the Governing Council of UNDP to ensure a suitable and more permanent way of financing this particular type of assistance which, in a few years, had demonstrated fully its suitability and effectiveness. The joint efforts of UNIDO and UNDP resulted in the adoption of a proposal by the Governing Council of UNDP in June 1969 (E/4706) which provided for the continuous financing of SIS type of projects under the UNDP Revolving Fund. The yearly programming level was established at \$4 million, whereas actual expenditures were not to exceed the level of \$2 million for the first year of operations under the Revolving Fund. It was further agreed that the procedures developed jointly by the Executive Director of UNIDO and the Administrator of UNDP with regard to projects financed under the SIS trust fund, would continue to apply.

## DEVELOPMENT OF THE PROGRAMME

### Financial status

5. The amount of voluntary contributions pledged by eight Governments to the SIS trust fund from 1965 to 1969 reached a total of \$9,157,251 (see table 1 below). No new contributions were pledged to the SIS trust fund in 1970.

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<sup>1/</sup> Documents ID/B/7, ID/B/22/Add.1 and ID/B/22/Add.1/Corr.1, ID/B/43/Add.1 and ID/B/68 and Corr. 1.

Table 1

Voluntary contributions to the SIS trust fund as of 31 December 1970

<u>Country</u>	<u>Amount paid (equivalent in US\$)</u>	<u>Date</u>
Netherlands	833,333	1 December 1965
United States of America	555,555	24 June 1966
United Kingdom	840,101	12 October 1966
Netherlands	833,333	17 November 1966
Federal Republic of Germany	1,000,000	12 December 1966
United States of America	1,444,445	1 March 1967
Sweden	500,484	11 May 1967
Federal Republic of Germany	997,680	6 October 1967
Finland	50,000	22 January 1968
Federal Republic of Germany	2,320	31 January 1968
Japan	150,000	18 April 1968
Federal Republic of Germany	1,000,000	5 December 1968
Belgium	200,000	3 March 1969
Federal Republic of Germany	750,000	16 October 1969
Total	<u>9,157,251</u>	

6. By the end of 1970, virtually all resources of the SIS trust fund had been earmarked for approved projects, as reflected in table 2 below.

Table 2

Status of resources of SIS trust fund as of 31 December 1970

Resources available

Funds contributed (incl. interest on investments)		9,511,213
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Programme value

Cumulative value of approved projects	8,241,504	
Overhead costs	<u>1,168,044</u>	9,409,548

<u>Balance</u>		<u>101,665</u>
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7. In addition, the planning target fixed under the UNDP Revolving Fund for SIS projects in 1970 was fully programmed. The total value of approved SIS projects exceeded \$4 million by the end of the year.

### Requests for SIS assistance

8. In 1970, 444 requests were submitted by over 80 developing countries, as against 345 received in 1969, i.e. an increase of over 25 per cent.

9. Table 3 below shows the annual number of requests received under the SIS programme from its inception up to 31 December 1970.

Table 3

Annual number of requests received for SIS assistance

<u>Year</u>	<u>Number of requests</u>
1966	77
1967	248
1968	237
1969	345
1970	444
	<hr/>
Total	1,351
	<hr/>

### Approved projects

10. Table 4 below presents the value of approved projects on a monthly basis and the cumulative value of the approved programme from its inception up to 31 December 1970.

11. An additional 83 projects, representing a total of some \$1,950,000, were under consideration at UNDP for approval on 31 December 1970. Moreover, at the same date, 90 requests were being processed at UNIDO headquarters for submission to UNDP for approval.

### Implementation of the programme

12. In order to further improve project processing and implementation and to reduce to a minimum the time factor involved, a survey was conducted early in 1970. The recommendations made in the survey have improved substantially the processing of the SIS programme. Moreover, a computerized management information system for project implementation is now being introduced.

13. During 1970 increased use was made of subcontractors' services; 58 projects totalling \$2,010,983 were implemented through consulting firms.

14. The number of individual experts serving in the field increased from 194 in 1969 to 270 in 1970, excluding missions undertaken by UNIDO staff members. The breakdown of experts and staff member assignments by year is shown in table 5 below.

**Table 4**  
**Value of approved SIS projects, by month and year<sup>a/</sup>**

	1966		1967		1968		1969		1970	
	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>	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	192,684	7,731,385
February			311,275	788,415	84,900	3,091,135	127,900	4,997,671	308,900	8,003,285
March			201,750	990,165	362,000	3,442,535	227,020	5,010,691	487,800	8,476,085
April			81,650	1,071,815	158,000	3,554,535	300,250	5,306,741	308,450	8,784,535
May	17,990	17,990	56,660	1,128,475	142,500	3,681,035	348,700	5,597,341	302,300	9,012,135
June	149,125	167,115	100,350	1,228,825	228,100	3,904,135	301,800	5,880,141	838,824	9,801,259
July	28,500	195,615	378,350	1,607,175	224,150	3,966,335	249,800	6,117,941	332,100	10,109,359
August	81,290	276,905	113,600	1,695,775	63,800	3,913,435	179,950	6,263,291	541,860	10,633,219
September	5,700	282,605	885,400	2,528,175	318,750	4,231,185	332,500	6,575,791	646,500	11,239,719
October	112,300	394,905	130,450	2,658,625	221,700	4,416,885	466,050	7,003,241	472,700	11,711,419
November	51,560	446,465	205,200	2,848,325	315,600	4,707,485	328,800	7,301,841	431,350	12,127,769
December	2,675	449,140	113,460	2,951,785	63,500	4,768,485	254,860	7,538,701	288,120	12,411,889
<b>Total</b>	<b>449,140</b>	<b>-</b>	<b>2,606,145</b>	<b>-</b>	<b>2,281,450</b>	<b>-</b>	<b>3,325,266</b>	<b>-</b>	<b>5,151,588</b>	<b>-</b>

<sup>a/</sup> Excluding agency overhead costs.

<sup>b/</sup> After deduction of the value of cancelled projects.



Table 5

Number of field experts and of UNIDO staff missions, by year

	<u>Number of experts in the field<sup>a/</sup></u>	<u>Number of UNIDO staff missions</u>
1966	14	23
1967	63	55
1968	125	48
1969	194	55
1970	<u>270</u>	<u>86</u>
Total	<u>666</u>	<u>267</u>

<sup>a/</sup> Excluding consultancy services provided by specialists of consulting firms.

15. Table 6 below further illustrates the progress achieved in expediting the implementation of the SIS programs.

Table 6

Number of projects approved and of projects completed, by year

	<u>Number of projects approved<sup>a/</sup></u>	<u>Number of projects completed by year end</u>
1966	38	21
1967	153	57
1968	132	84
1969	197	107
1970	<u>296</u>	<u>222<sup>b/</sup></u>
Total	<u>816</u>	<u>491</u>

<sup>a/</sup> After deduction of cancelled projects.

<sup>b/</sup> Excluding projects under implementation as of 31 December 1970.

16. A breakdown of the expenditures, by region and year, is contained in table 7 below which also reflects the rate of implementation of the programs.

Table 7

Status of expenditure incurred under the SIS programme, by year and region

	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970<sup>a/</sup></u>	<u>Total</u>
Africa	46,149	219,864	432,599	731,960	982,000	2,412,572
The Americas	2,414	82,574	158,632	441,119	849,000	1,533,739
Asia and the Far East	246	88,990	250,984	508,094	775,000	1,623,314
Europe and the Middle East	3,371	89,880	93,038	147,668	654,000	987,957
Interregional	4,795	3,564	9,230	165,731	60,000	243,320
Total	<u>56,975</u>	<u>484,872</u>	<u>944,483</u>	<u>1,994,572</u>	<u>3,320,000</u>	<u>6,800,902</u>

<sup>a/</sup> Year end projections obtained on the basis of the first three quarters of 1970.

**General trends and achievements**

17. The SIS programme has continued to develop along the lines that have characterised it from the very beginning. The nature of the SIS programme makes it a suitable instrument through which UNIDO can respond to the immediate requirements for assistance from the industrial community of the developing countries. To a great extent, the recognised achievements of the SIS programme explain its sizeable expansion.

18. Within the limits of the financial resources of the programme, which by the end of 1970 totalled on a cumulative basis over \$12 million of approved projects, UNIDO has been able to meet certain priority needs of over 80 Governments of developing countries. As it is apparent from table 8 below, the financial flexibility of the programme has not resulted in an uneven distribution of resources by regions.

Table 8

Approved projects by regions and types of projects, 1970

	<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 and pre-feasibility type of missions	39	14	33	20	1	107
Direct advisory assistance in specific industrial fields	71	39	39	58	3	210
Total	<u>110</u>	<u>53</u>	<u>72</u>	<u>78</u>	<u>4</u>	<u>317</u>

19. It will be noted from the above table that a relatively large proportion of short-term missions of an exploratory or pre-feasibility nature continue to be requested for the identification of various phases of industrial development projects.
20. In Africa, for example, the Government of Guinea requested the services of a consultant to make preliminary investigations with regard to the economic and technical possibility of establishing a composting plant near the city of Conakry. Following the positive report of the expert who undertook this mission, specific assistance was subsequently given to the Government consisting of a detailed feasibility study including precise recommendations as to the size and capacity of the plant.
21. At the request of the Government of Lebanon, a UNIDO staff team undertook an exploratory mission to advise on the establishment of an agency to promote industrial investments in the country from both local and external sources. The recommendations of the mission were accepted by the Government which decided to proceed with the first step towards the establishment of the agency.
22. In Chad an SIS expert helped to introduce bread prepared to a large extent from locally grown cereals such as sorghum. It is expected that several other African countries will adopt this process.
23. The SIS programme also increasingly renders direct assistance at the plant level. Such assistance requires the immediate availability of sophisticated expertise in a considerable range of specialized fields.
24. In Brazil, an enterprise established by the Government with participation of private capital received technical advice that helped to increase substantially production of soda ash and refined salt.
25. In Yugoslavia, a factory producing various types of beverages encountered certain technical problems in the fermentation process. The problems were solved through expertise provided under the SIS programme and the experience and know-how acquired during the assignment of the expert has also been extended to several other breweries in the country.
26. At the request of the Government of El Salvador, a team of four consultants undertook a six-week problem-solving mission for cotton spinning and weaving companies in the country. Advice was given by the team on ways and means to reorganize the structure of various companies, including the integration of several companies into larger units. Agreement was reached on a programme for the diversification of production oriented towards export.
27. In the last example, the team consisted of individually recruited experts whereas in other cases, owing to the nature and complexity of the problems involved, consulting firms were necessary for the implementation of the projects.

26. The fact that the SIS type of assistance is being rendered increasingly at the plant level explains the high proportion of approved projects classified in the first six groups of activity, all of which relate to industrial technology. This situation is reflected in table 9 below.

Table 9

Approved SIS projects by groups of activities, 1970

	<u>No. of projects</u>
Group 1 (Engineering Industries)	53
Group 2 (Metallurgical Industries)	42
Group 3 (Construction and Building Materials Industries)	13
Group 4 (Chemicals, Pharmaceuticals and Pulp and Paper Industries)	32
Group 5 (Fertilizers, Pesticides and Petrochemicals Industries)	18
Group 6 (Light Industries)	60
Group 7 (Industrial Administration)	-
Group 8 (Industrial Institutions)	6
Group 9 (Industrial Information)	6
Group 10a (Industrial Training)	12
Group 10b (Industrial Management and Consulting Services)	12
Group 11 (Small-scale Industry and Related Activities)	9
Group 12 (Industrial Programming and Project Planning)	13
Group 13 (Industrial Policies and Financing)	18
Group 14 (Promotion of Export-oriented Industries)	12
Group 15a (Industrial Surveys)	23
Group 15b (Industrial Branch Reports and Across-the-Board Techniques)	23
Total	<u>317</u>

29. Frequently advice is requested under the SIS programme at a pre-investment stage. The Government of Upper Volta, for example, requested advice as to the technical, economic and financial viability of a proposal made by investors for the establishment of a mill for corn, millet and other locally grown cereals. Investigations were carried out and a positive report was submitted to the Government which secured the necessary investments for the erection of a modern mill in Banfora.

30. The Government of Argentina has formulated a plan for the development of the aluminium industry. A feasibility study was made under SIS on the establishment of an aluminium reduction plant. The conclusions submitted were of assistance to the authorities in the selection of various international tenders for the erection of the aluminium plant at Puerto-Madryn.

31. The SIS programme has also proved extremely valuable in permitting the implementation of projects calling for a comprehensive sectorial approach. Such global assistance has taken various forms, ranging from preliminary advice to the direct participation in the surveying of a particular field.

32. In Peru, following a long-range programming mission, the assistance rendered by a consulting firm on behalf of UNIDO helped the Government in the formulation of an over-all development programme for the petrochemical sector. The assistance included the submission to the Government of several pre-investment studies relating to the feasibility of producing several petrochemical products, as well as a comprehensive market study for the products in the Pacific area.

33. The adequacy of the SIS programme to meet emergency situations were confirmed recently when floods devastated Romania. A special mission, financed under the SIS programme, immediately reviewed with the Government the action that could be taken to assist the authorities. Several SIS projects were soon under implementation to help in the rehabilitation of the industrial areas that had been hit by the floods.

#### FUTURE OF THE PROGRAMME

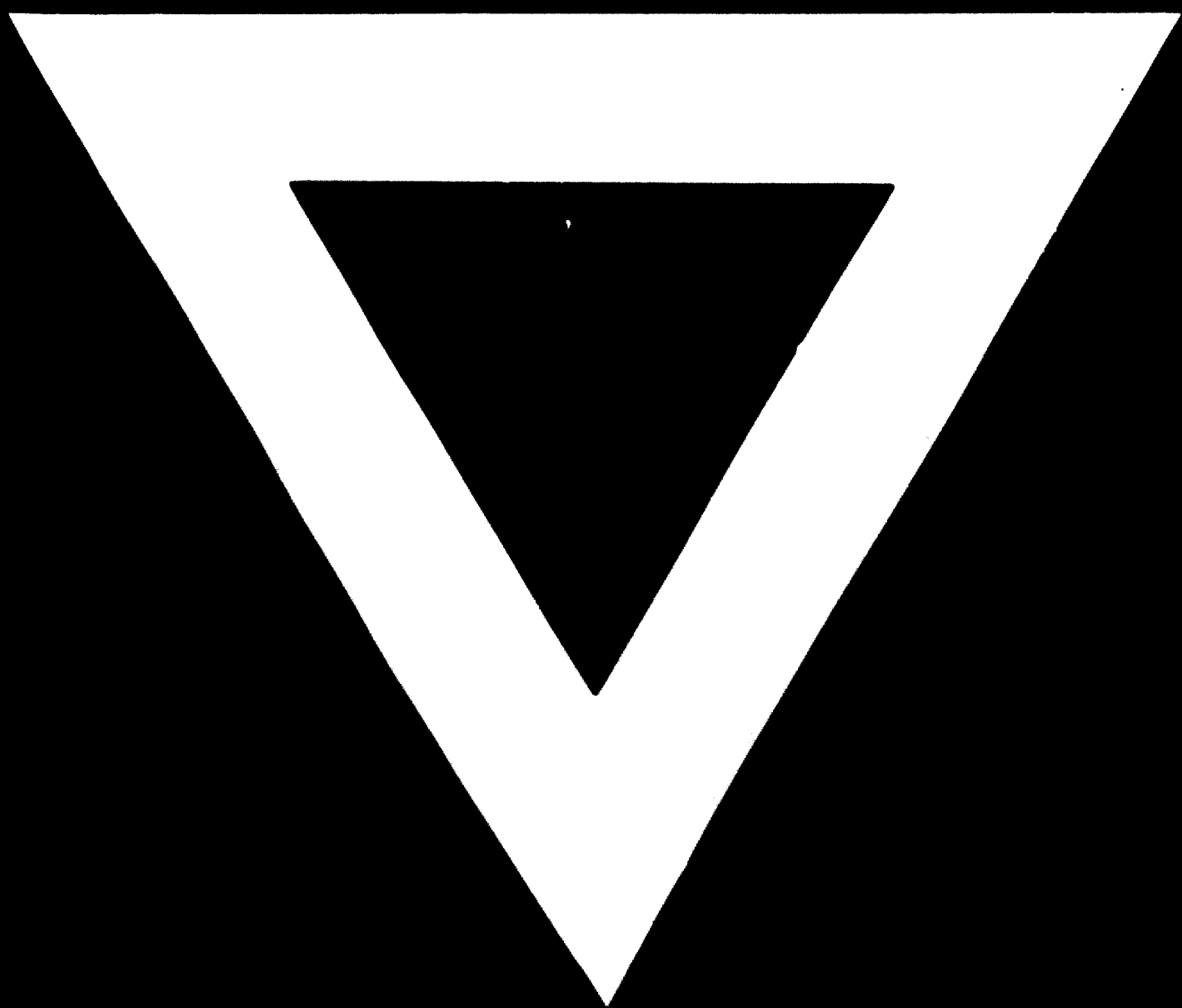
34. As can be seen from the information contained in the present report, the demand of developing countries for the SIS type of assistance continues to increase at a significant rate. The total of 317 projects approved in 1970 under the programme amounted to \$5,151,588, of which \$1,020,703 were programmed against the SIS trust fund and \$4,130,885 against the UNDP Revolving Fund.

35. The complexity of services to be rendered under the SIS programme has increased and a wide range of sophisticated services provided under the programme resulted in an increase in the average cost of a project.

36. In the Consensus adopted at the 10th session of the Governing Council of UNDP in June 1970, support for the SIS programme was confirmed. The Council decided that:

"It will be necessary to make provision to meet unforeseen needs, to meet special needs of the least developed of the developing countries, and to finance unanticipated projects or phases of projects, particularly projects of the Special Industrial Services type, which could have a catalytic role in the economic development of the country concerned. At the eleventh session of the Governing Council the Administrator will make proposals on the manner in which resources to meet such requirements, as well as to maintain under present arrangements the programme of Special Industrial Services at least at the present level, will be made available."

37. This was the situation at the time of preparing this document. The question of the future financing of the programme is expected to be taken up again by the Governing Council at its 11th session in January 1971. The results of the Council's deliberations will be reflected in document ID/B/90.



**22.7.74**