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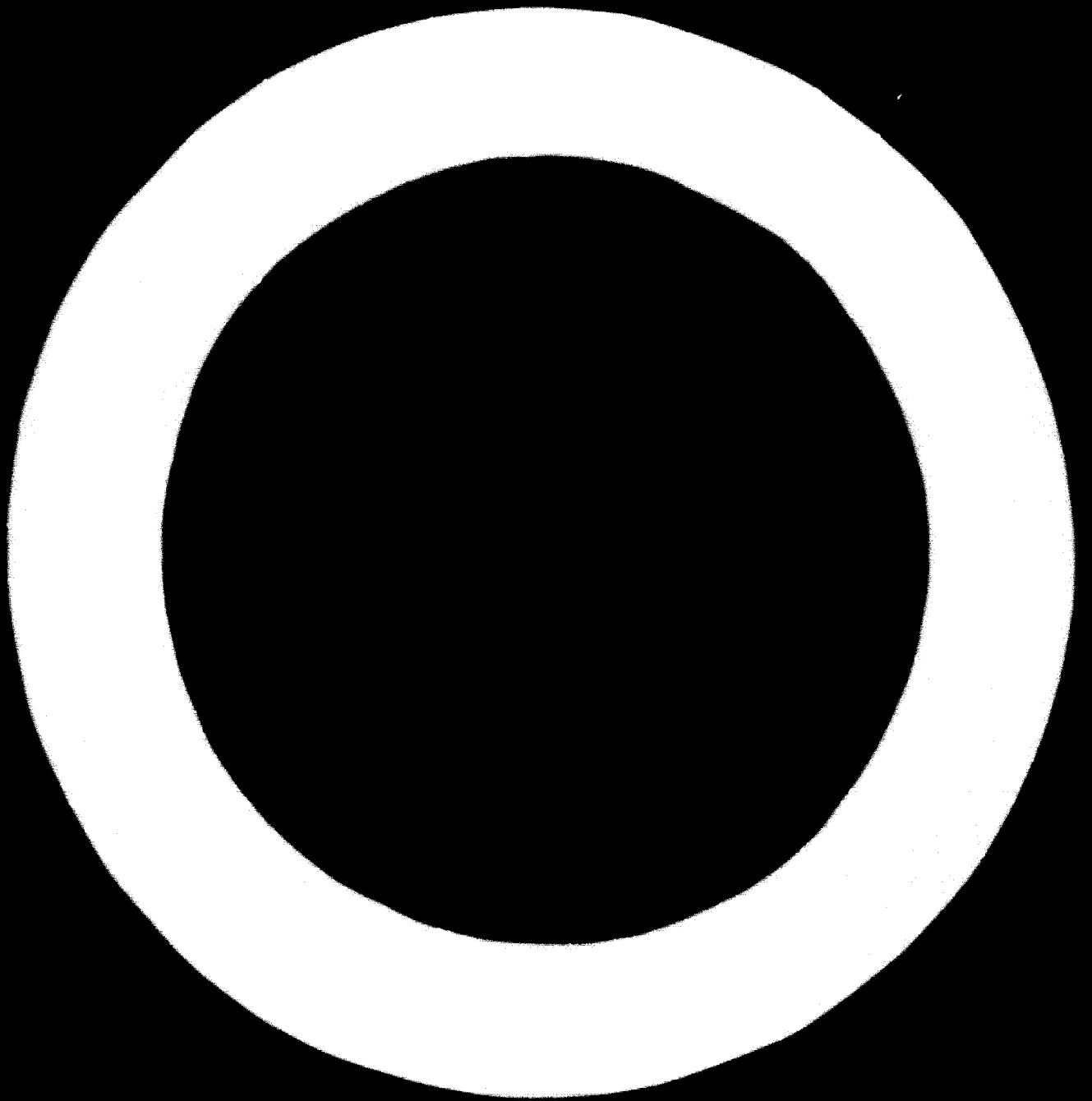
Industrial Development Board

Fifth Session

Vienna, 24 - 28 May 1971

Agenda item 5

REPORT ON THE PROGRESS ACHIEVED IN THE IMPLEMENTATION
OF ID/B/RESOLUTION 28 (IV) ON OPERATIONAL ACTIVITIES



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INTRODUCTION

1. The Industrial Development Board, at its fourth session, adopted resolution 28 (IV) on the operational activities of the United Nations Industrial Development Organization.^{1/} The resolution contains a number of general policy considerations as well as certain recommendations addressed to the Governing Council of the United Nations Development Programme which the Executive Director was asked to transmit to the UNDP Governing Council.

2. This report is presented in compliance with operative paragraph 14 of the resolution which requests the Executive Director to "report to the Industrial Development Board at its fifth session on the progress achieved in the implementation of this resolution".

ACTION BY THE EXECUTIVE DIRECTOR

3. As requested by the Board, the Executive Director transmitted the text of the resolution to the Administrator of UNDP with a covering memorandum dated 8 May 1970 in which he requested the Administrator to transmit the relevant sections of this resolution to the Governing Council of the UNDP.

4. At its tenth session, the Council received, among other documents submitted to it by the Administrator in connexion with the discussions on the capacity of the United Nations system, the text of ID/B/Resolution 28 (IV).^{2/}

5. In the recommendations contained in this resolution, which the Executive Director was asked to bring to the attention of the UNDP Governing Council, the Industrial Development Board requested certain action concerning the subjects of the UNIDO Field Advisers and the SIS programme and called the attention of the Council to other aspects of operational activities, stressing the following main issues:

- (a) It urged the Council "to provide the necessary financing for a larger number of Field Advisers" (para.3);
- (b) It welcomed the measures taken by the Governing Council to ensure the continuing financing of the SIS programme and requested that in considering any changes in the current programming procedure, the Council should not lose sight of "the need for adequate provisions to ensure flexibility in the approval and financing of short-term projects" (para.10);
- (c) It called the attention of the Council to certain aspects of operational activities including multi-national and regional projects (para.11), speeding up implementation of projects (para.12) and the "need to broaden the instruments of technical co-operation to include additional forms of assistance suited to the special requirements of industry ..." (para.13).

^{1/} Document A/8016, pp.162-165.

^{2/} See: Report of the Governing Council, tenth session (9-30 June 1970), document E/4884/Rev.1, para.90.

INDUSTRIAL DEVELOPMENT FIELD ADVISERS

6. The recommendations of the Administrator to the Council at its tenth session (June 1970) of the reorganization of UNDP and its financial implications for 1971, as set forth in document DP/L/134/Add.1, did not provide any assurance on the financing of additional posts in 1971, nor did it evoke any consideration of the matter at the Council. That the Industrial Development Field Advisers would have a role to play in the UNDP country programming was alluded to, however, in the consensus approved by the Governing Council at its tenth session where it was stated that the programming "will be formulated by the Government of the recipient country in co-operation, at an appropriate stage, with representatives of the United Nations system ...".
7. The subject was discussed at the Second Committee of the twenty-fifth session of the General Assembly and at the IACB meeting in October 1970, with the participation of the Executive Director in both instances.
8. In operative paragraph 6 of its resolution 2639 (XXV) of 19 November 1970, the General Assembly reaffirmed the importance of the programme of Industrial Field Advisers and urged the Governing Council "to provide the necessary financing for a larger number of Field Advisers", pointing out the need for, and importance of, the strengthening by UNIDO of its links with the field.
9. In his communication to the Administrator on 16 December 1970, the Executive Director called attention to this resolution and asked the Administrator to urge the Governing Council to increase the number of Field Advisers to 30 in 1971.
10. The Administrator responded on 22 December 1970 and on 13 January 1971 by pointing out that although the UNDP budget estimates for 1971 maintained the 1970 position on Field Advisers he would request the UNDP Governing Council for two new posts in 1971. Any further increase, he added, would be considered in the context of the 1972 budget estimates and "in light of the conclusions emerging from the review of arrangements at field level for provision of technical advisory services".
11. In his submission to the Governing Council, the Administrator proposed that arrangements should be made for two or three more posts, without specific additional budgetary provision at this stage, in order to meet urgent and pressing additional needs arising in 1971.^{3/}
12. The increase of the number of Field Advisers posts by two in 1971 would bring the total in that year to 22. The Executive Director considers that 30 posts would be required in 1972 to cover adequately the needs of the four geographical regions.
13. In the meantime a new situation has arisen as a result of the reported review by the Administrator of the arrangements that had been developed by UNDP with FAO on their field

^{3/} Provisional report of the eleventh session of the Governing Council, para.152.

representation and the assertion by the Administrator that "the proposals resulting from this review would also have a bearing on the arrangements which had been agreed with UNIDO".^{4/}

14. The system of Industrial Development Field Advisers as well as the number of such advisers and the principles agreed upon with regard to their functions would seem, therefore, to be under reconsideration by the Administrator of UNDP. In bringing this matter to the notice of the Board, the Executive Director would like to caution against a reconsideration of the system of Industrial Development Field Advisers at this time or confusing it with the principles or problems attending field representation of other agencies or organizations of the United Nations system.

SPECIAL INDUSTRIAL SERVICES

15. At the tenth session of the UNDP Governing Council, the representative of UNIDO drew the attention of the Council to ID/B/Resolution 28 (IV) and stressed the need for continued financing of the Special Industrial Services, particularly since no reference to this subject appeared in the Administrator's report on resources and earmarkings for 1970, contained in document DP/L.141.^{5/}

16. In the course of the debate that the UNDP Governing Council held on this issue several members emphasized the need for a specific mention in the consensus establishing the Operational Reserve which would ensure the continued financing at the present level, at least, of the Special Industrial Services, following the disappearance of the Revolving Fund.^{6/}

17. In the consensus reached by the Governing Council at its tenth session, the need was expressed to make provision in the over-all disposition of UNDP resources for the continued financing under existing arrangements of projects of the SIS type. The relevant text in the consensus reads as follows:

"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 Service 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."^{7/}

18. In his submission to the eleventh session of the Governing Council on the Programme's finances for 1971 and 1972 (DP/L.157 and DP/L.157/Add.1), the Administrator made the following proposals:

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- ^{4/} Provisional report of the eleventh session of the UNDP Governing Council, para.152.
 - ^{5/} See: Report of the Governing Council, tenth session, document E/4884/Rev.1, para.57.
 - ^{6/} Summary Record of the 235th meeting of the UNDP Governing Council, tenth session, 29 June 1970.
 - ^{7/} Report of the Governing Council, tenth session, document E/4884/Rev.1, para.27.

For the year 1971

"Pre-project activities for Special Fund requests, SIS-type projects and TA requests for emergency and contingency financing will be met through authorizations by the Administrator from the Revolving Fund".^{8/}

For the years 1972-1976

"A programme reserve will be established to meet special requirements for project approvals outside individual IPF's (Indicative Planning Figures), including certain activities presently financed through the Revolving Fund".

In an accompanying table, the level of this Programme Reserve was given as \$7.8 million for 1972 with a steady increase to \$10.9 million in 1976.^{9/}

19. Since the Administrator made no specific reference in these submissions to either the arrangements for, or level of, the SIS programme, the Executive Director on 16 December 1970 and also on 4 January 1971 called the Administrator's attention to the consensus of the Council at its tenth session and to General Assembly resolution 2639 (XXV) which, inter alia, requested the Governing Council in operative para.7:

"to take all the necessary measures to ensure, within the new provisions of the United Nations Development Programme, the continuity of the programme of Special Industrial Services, which has proved to be highly effective as a flexible instrument of assistance to meet the particular requirements of the developing countries in the field of industry".

20. The Executive Director requested the Administrator to include the above-mentioned resolution in the agenda of the eleventh session of the Governing Council and provide him with an indication of the proposals he intended to make to the eleventh session of the Council to ensure continuity of the programme of SIS at a level sufficient to meet requirements. In his response on 6 January 1971, the Administrator referred to documents DP/L.157 and DP/L.157/Add.1, cited above, adding that:

"at least during 1972 SIS will be considered to be one of these activities (not covered by indicative planning figures) but we shall need to arrange further consultations with a view to regularizing the status of SIS under the new programming procedure to be operative for future years. For 1971 the present revolving fund procedures which worked satisfactorily in 1970 will continue to operate".

21. At this juncture, the Executive Director felt the need to seek from the Administrator clarification of ambiguities which seemed to have crept into the future financing of the SIS programme as a result of the submissions of the Administrator to the Governing Council and his communications with the Executive Director. In an exchange of cables with the Administrator, the Executive Director called the attention of the Administrator to the fact that the continuation of the SIS "under present arrangements and at least at the present level" had been specifically endorsed by the Industrial Development Board, the General Assembly and the Governing Council; he also registered his disagreement on the need for consultations on new arrangements for the programme, pointing out that the channelling of contributions by donors through the UNDP did not change the character of the SIS programme.

^{8/} Document DP/L.157/Add.1, para.2(c).

^{9/} Document DP/L.157/Add.1, para.3,4.

22. In his response, the Administrator referred to his proposals to the Governing Council contained in document DP/L.157/Add.1, adding that after the outcome of the Council consideration of the matter was known, he would be glad to work out, in co-operation with UNIDO and other agencies concerned, new specific procedures to reflect the decisions of the Council.
23. Following extensive discussions in the course of which several delegations expressed the concern of their Governments over the future of the SIS programme, the Governing Council at its eleventh session took the following decision:
- "Decides that, as a first charge to resources after providing for the estimated costs of the administrative and programme support services and agency overhead, a Programme Reserve will be established annually as from 1 January 1972 at a figure of \$9 million to meet the requirements mentioned in paragraph 27 of the Consensus, i.e. the need to ensure an adequate level in the activities of the Special Industrial Services programme, the needs of less developed countries and unforeseen needs".^{10/}
24. The Executive Director would like to call the attention of the Board to three main issues relevant to the proper and effective operation of the SIS: (a) level of the programme; (b) identity of the programme; and (c) procedures applicable to the programme.
25. The need for continuity of the programme of Special Industrial Services has been endorsed by all governing bodies concerned. The arrangements worked out between UNIDO and UNDP for 1970 have proved satisfactory. The Governing Council spoke in its decision at the eleventh session of an "adequate level", and it is assumed that the working level of at least \$2 million in expenditures and up to \$4 million in value of requests annually will be maintained for the present. However, it can already be anticipated that a reappraisal of this level will become necessary in the near future when the commitments made so far from the original trust fund and from the present \$4 million a year UNDP programming level have been delivered. The present \$2 million expenditure level would then prove inadequate to meet the requests received.
26. The success of the Special Industrial Services programme is due to its particular suitability for essential industrial needs, a suitability that cannot be claimed for the traditional technical assistance programmes without certain reservations. The need for maintaining the special status and character of the Special Industrial Services cannot be questioned, therefore, without jeopardising the operational programme of UNIDO, of which the SIS constitutes an important segment.
27. Any attempt to integrate all or part of SIS into the indicative planning figures, thereby subjecting it to pre-programming, would be tantamount to destroying the most significant elements in the programme, i.e. its spontaneity, flexibility and ready response to unforeseen circumstances, which have made it so well suited to the needs of industry.
28. The Board may wish at this time to reaffirm to the UNDP Governing Council the necessity for the continuation of the Special Industrial Services programme under present arrangements and for the maintenance of at least the present level without detracting from the original purpose and character of the programme.

^{10/} Provisional report of the eleventh session of the Governing Council, para.71.



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