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D04311



Distr.
GENERAL
ID/B/SR.118
24 July 1972
ENGLISH

United Nations Industrial Development Organization

Industrial Development Board

Sixth Session

Vienna, 23 May - 2 June 1972

SUMMARY RECORD OF THE ONE HUNDRED AND EIGHTEENTH MEETING

Held at the Neue Hofburg, Vienna,
on Tuesday, 23 May 1972, at 3.10 p.m.

President:

Mr. BRILLANTES (Philippines)

Rapporteur:

Mr. HANISA (Libyan Arab Republic)

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General debate

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We regret that some of the pages in the microfiche copy of this report may not be up to the proper legibility standards, even though the best possible copy was used for preparing the master fiche.

GENERAL DEBATE

1. Mr. SYLLA (Secretary of the Board) read out a note from the Executive Director informing the Working Group on Programme and Co-ordination of a communication from the Secretary-General of the United Nations. In that communication, the Secretary-General stated that he felt it to be his duty to make every council, commission, committee or other intergovernmental body of the United Nations aware of the preoccupations concerning the critical financial situation of the Organization and to inform them of his efforts to exercise restraint in committing its resources. The text of that communication had been circulated to all delegations as document ID/B/WGPC/L.21.

2. The PRESIDENT pointed out that the Board was responsible for giving the necessary directives to its Bureau and to the secretariat, and drew the Board's attention to a number of points on which it would be asked to give its views. The first concerned the possible establishment of a permanent committee to co-ordinate the programme of work of the Organization and to evaluate activities and the implementation of the work programme. Although the committee must be given very precise terms of reference, it must nevertheless remain flexible enough to be able to deal effectively with unforeseen and pressing problems. In that connexion it was important not to lose sight of the recommendation by the Special International Conference of UNIDO to the effect that the Organization should maintain closer links with the other United Nations organs which had competence in the field of technology, in order to avoid duplication and waste of resources and to enable the developing countries to benefit to the full from the adaptation of technology to development.

3. The Conference had also asked the Board to establish closer co-ordination with UNDP. Pursuant to that request and in accordance with the provisions of General Assembly resolution 2823 (XXVI), the Secretary-General of the United Nations had convened an Ad Hoc Committee on Co-operation between UNDP and UNIDO, the report of which had been issued as document A/8646 (cf. ID/B/104/Add.2). The Board should study the conclusions and recommendations in that report very carefully.

4. The Conference had further decided to recommend the setting up of a Group of High-Level Experts on Long-Range Strategy of UNIDO. The Group had not yet completed its work, but delegations would be able to take the opportunity provided by the present session of the Board to further elucidate their positions regarding the long-range strategy for UNIDO.

5. The question of the Special Industrial Services (SIS) programme had been discussed by the UNDP/UNIDO Ad Hoc Committee. The Board would probably have no difficulty in endorsing that Committee's guidelines concerning the basic aspects of the operations of the SIS programme. It was of the utmost importance that the resources allocated to the SIS programme should remain unchanged, for any modification would prejudice the efforts of the developing countries to promote their industrial development.
6. As the Board would also be called upon to take a decision on the holding of another international conference of UNIDO, it should not lose sight of the fact that a mid-term review and appraisal of the International Development Strategy were planned for 1975, half-way through the Decade. The most appropriate time to hold the conference might therefore be just before that date.
7. The Board would also have to express its views on the procedure for the evaluation of the activities of the Organization, including the staff of the Secretariat. In its consensus resolution the Conference had expressed its desire to make the Organization more autonomous both in the recruitment of personnel and in the disposition of its resources. It would be a good idea if the Board were to formulate, for the General Assembly, guidelines enabling the Secretariat to take the necessary action to meet the wishes of the Conference.
8. The Board would also have to give serious attention to the question of co-ordination between UNIDO and other United Nations bodies. In view of the importance of its operational activities, the Organization should strengthen its links with the regional economic commissions and with UNESOB. In addition, UNIDO and UNCTAD should give closer consideration to the co-ordination of their activities, and in particular should seek means of enabling the developing countries to derive the maximum benefit from the Generalized System of Preferences.
9. Lastly, UNIDO should play a more effective role in the co-ordination of all the activities of United Nations bodies in the field of industrial development and the Board should take the necessary steps to enable UNIDO to fulfil the terms of reference assigned to it by General Assembly resolution 2152 (XXI).

10. Mr. ABDEL-RAHMAN (Executive Director) said that the agenda of the present session of the Board was very heavy because the Board would not only be called upon to consider the Organization's work programme and activities, but also to carry out the tasks assigned to it by the General Assembly in resolution 2823 (XXVI). The secretariat had prepared a list of the points on which the Board was being asked to take a decision (ID/B/L.110).

11. UNIDO's share in the first nineteen country programmes approved by the UNDP Governing Council in January 1972 was indicated in paragraph 24 of document ID/B/97 (Part I). UNDP was currently preparing to examine sixteen more programmes in which the share of industry would probably be more than 11 per cent. Thus, in 35 country programmes, the proportion of projects assigned to UNIDO would probably be over 10 per cent, and that represented approximately double the share of Special Fund projects hitherto assigned to UNIDO. UNIDO's operational activities in the coming years should therefore amount to \$30 million, as compared with about \$17 million in 1971. The resources and personnel available to UNIDO and the organization of its secretariat and structure of its supporting activities would therefore have to be adequate for an operational programme twice as large as the current one.

12. As recommended by the Ad Hoc Committee on Co-operation between UNDP and UNIDO, the Board, in proposing guidelines for the SIS programme to the General Assembly, might wish them to conform to what had been said in the initial General Assembly document (A/6070/Rev.1) of 23 October 1965 setting up the programme. These guidelines should relate solely to the basic principles governing the operation and financing of the programme, since details concerning procedure and operation were decided by agreement between the UNDP Administrator and the Executive Director of UNIDO, in order to preserve the operational flexibility which was the essential characteristic of the programme. The guidelines should, moreover, conform with the recommendations made by the Ad Hoc Committee in its report to the General Assembly (A/8646, paragraph 19). It was worth recalling in that connexion that the Committee had recognized the desirability of periodic consultations between UNIDO and UNDP at the highest level and the need for UNIDO to retain its central role with regard to the co-ordination of activities in the industrial field. The importance of the role played by the industrial development field advisers had also been noted. Despite some unfortunate differences of opinion concerning the SIS programme, a basis for fruitful co-operation between UNDP and UNIDO did appear to be present, especially if it was possible to eliminate the obstacles which were still hampering the execution of the programme.

13. The Board could not fail to welcome the presence at the session of Mr. Trivedi, the Ambassador of India, who had presided over the meetings of the Ad Hoc Committee on Co-operation between UNDP and UNIDO, and Mr. Fernandini, the Ambassador of Peru, who had presided over those of the Group of High-Level Experts on Long-Range Strategy of UNIDO, in which Mr. Morse had taken part, representing the UNDP Administrator.

14. Recalling that he had just attended the session of UNCTAD at Santiago, the Executive Director said that UNIDO had submitted to UNCTAD three studies on the role of supporting industries for exports in the developing countries and the various methods adopted by UNIDO to assist the developing countries in that field. During the UNCTAD session, the President of IBRD had stated that the value of exports of manufactures from the developing countries had increased from \$2,000 million in 1960 to \$7,000 million in 1970, but that in order to achieve the 6 per cent growth objective of the Second Development Decade, export earnings would have to increase by a total in current prices of nearly 10 per cent a year and that exports of manufactures would consequently have to increase by 15 per cent a year. The developing countries therefore had an enormous task before them.

15. Emphasis had been placed at Santiago on assistance to the least developed countries; he had pointed out in that connexion that over 16 per cent of UNIDO's operational programmes were for those countries. Several proposals had been made that technical assistance to the least developed countries should be increased, but what was needed most was a change in the character and structure of that assistance. The countries concerned required co-operation in initiating actions and developments which could later be sustained by local resources, with carefully chosen external capital assistance and technology adapted to their requirements rather than expert advice and consultations. The full text of the discussions at Santiago was not yet available in Vienna and the Board would be most grateful to those of its members who had attended the UNCTAD session to make available such information as they might have on the subject. The Secretariat, for its part, would give careful consideration to the recommendations made at the UNCTAD session and would endeavour, within its resources and the guidelines established by the Board and the General Assembly, to take the necessary action.

16. In the course of the recent trip he had made to a number of developing countries and the discussions he had had with the secretariats of the regional groupings in the Caribbean, Central America and the Andean countries, he had noted the great interest shown by those countries in UNIDO's activities and the wider opportunities for co-operation identified both within the programming activities financed by UNDP and elsewhere. Several Latin American countries in particular had expressed keen interest in the decentralization of industries and projects in that regard were under way in Argentina, Brazil and Chile among other countries.

17. Early in April the President of IBRD had expressed a desire to establish, with UNIDO, a joint programme of industrial project preparation and development. Negotiations would begin in Vienna shortly between representatives of the Bank and UNIDO. The Secretariat would inform the Board of the results of the negotiations as soon as possible.

18. The Group of High-Level Experts on Long-Range Strategy of UNIDO (ID/B/104/Add.1) had held its first session in Vienna from 14 to 22 March and would meet again, also in Vienna, from 24 August to 1 September 1972. The members of the Group present at the Board session might wish, for the benefit of the Board, to add to the information given in the note by the Secretariat. The Board, for its part, might wish to offer observations which might help the Group in its work.

19. In the first five years of its existence, and in spite of financial limitations and other difficulties, UNIDO had been able to secure full recognition as a useful international organization with a prospect of further expansion and increasing effectiveness in its activities. Certain dynamic elements had characterized UNIDO since the very beginning. Those elements were the close interaction between operational and supporting activities, the flexibility and dynamism of the SIS programme, the activities of field advisers, the closer relations established with industrial, financial and business circles in the advanced countries, the policies aimed at developing the transfer and adaptation of technology, the efforts to improve the procedures and forms of technical assistance and the functioning of multilateral machinery to promote international and regional co-operation in the field of industrialization. While the past could be viewed with satisfaction, there remained problems to be solved. However, during the Second Development Decade UNIDO could be expected to make further progress in its activities and to provide increasing aid to developing countries in their attempts to achieve industrialization.

20. Mr. AGUNG (Indonesia) was pleased to see the representative of a country in the Asian group preside over the deliberations of the current session, which should be viewed against the background of the Special International Conference of UNIDO held in 1971. Most of the provisions of the consensus resolution adopted by that Conference, particularly the paragraphs on long-range strategy and financing, had been endorsed by the General Assembly in its resolution 2823 (XXVI), in paragraph 4 of which it approved the convening of another UNIDO general conference in 1974 or 1975. He was inclined to favour 1975 as the date for the conference since that would allow UNIDO to draw up a balance sheet of its activities at mid-point in the Second United Nations Development Decade. The guidelines laid down by the Special Conference should be applied in determining UNIDO's strategy and programme of work.
21. He noted with satisfaction that paragraph 3 of General Assembly resolution 2823 (XXVI) had already been acted upon. A meeting of high-level experts on UNIDO's long-range strategy had recently been held in Vienna. An intergovernmental ad hoc committee had met in New York in March; the board would now have to consider the reports of that Committee on all aspects of co-operation between UNDP and UNIDO. He hoped that the permanent committee of the Board which it was proposed should replace the present Working Group or Programme and Co-ordination would succeed in promoting UNIDO's activities by undertaking an in-depth evaluation of its achievements and programme and by guiding the Secretariat in its implementation of the Board's decisions. The Board should lay down appropriate terms of reference for the new permanent committee.
22. The Government of Indonesia was convinced that industrialization would be an important factor in the policy adopted by the developing countries to ensure sustained economic growth and to raise the standards of living of their people in accordance with the aims of the international strategy of the Second Development Decade. Accordingly, Indonesia had made every effort to emphasise industrial development in its first five-year plan. During the first three years of the plan's implementation the share of the manufacturing industries (excluding agro-industries and pharmaceuticals) in the country's gross domestic product had risen from 8.5 per cent in 1968 to 9.3 per cent in 1970. Industry's contribution to the gross domestic product was considerably less than that of agriculture, but that was because the Government had granted first priority to food production. Thanks to the green revolution, the target of self-sufficiency in rice production - 15 million tons annually - had been achieved. In view of that success in the country's first five-year plan, industry could be expected to play an increasing

part in the second plan, with its share of the gross domestic product amounting to 14 per cent in 1980. To that end, the Government was attempting to create a political and economic climate conducive to industrial development by enlisting the support of the people, which was essential.

23. Although primary responsibility for economic development lay with the developing countries themselves, the co-operation of United Nations agencies and bilateral aid without strings from the developed countries would make a substantial contribution to that goal. By creating a favourable political climate and social and economic conditions, Indonesia had succeeded in arousing the interest of the developed countries and was receiving assistance from them in the form of capital loans on favourable terms and the investment and technical assistance it needed.

24. In the field of industrialization Indonesia required assistance from UNIDO, particularly advice in formulating policies, plans and programmes, and in determining priorities. The Indonesian Government particularly welcomed UNIDO's co-operation in making available the services of industrial advisers. While transfer of technology was essential to rapid progress in industrialization, its cost should not be prohibitive and steps should be taken at the international level to prevent excessively high fees on patent royalties and licences. That question had been discussed at length at the UNCTAD session and was mentioned in the Lima Declaration. It was to be hoped that UNIDO would give the matter its active consideration and take the necessary measures to formulate a comprehensive programme which would allow technology to be transferred without adversely affecting the interests of the developing countries.

25. Reference should also be made to the problem of pollution in its relation to the transfer of technology. UNIDO could do much to prevent the developing countries repeating the mistakes of the developed countries by advising them on how to achieve industrialization without detriment to the human environment.

26. He supported the continuation of the SIS programme, which was of particular help in financing urgent projects. The original ideas and methods of management of the programme should be retained and UNIDO, as the central United Nations organ in the field of industrial development and planning, should be given basic responsibility for implementing the programme. Nevertheless, close co-operation should be maintained

between the Administrator of UNDP and the Executive Director of UNIDO regarding the identification of projects eligible for implementation under the programme, with the active participation of UNDP Resident Representatives at the country level. In resolution 2823 (XXVI), the General Assembly had set the minimum budget for the programme at US\$2 million; that minimum should, however, be increased in view of the expected demand from the developing countries.

27. The new UNDP assistance system, with its emphasis on long-term country programming, should be implemented in such a way that UNIDO could continue to act as the co-ordinator of industrial planning in the developing countries. The Ad Hoc Committee on Co-operation between UNDP and UNIDO had discussed at length the question of co-operation between the two organizations, and he was pleased to note that an understanding had been reached on the matter. UNDP had declared its readiness to assist UNIDO by consulting it on the identification of all projects to be undertaken in the industrial field - an arrangement which provided an assurance to the developing countries that industrial development would be duly taken into account in the country programming system.

28. Indonesia recognized the value of regional and subregional projects, such as those carried out within the framework of ECAFE and the Association of South-East Asian Nations (ASEAN), and felt that UNIDO could give such groupings valuable assistance in project formulation and evaluation.

29. He regretted that the evaluation report on Indonesia, prepared in May 1970, had not, like reports on other countries, been submitted to the current session of the Board. That fact was the more regrettable because the report had been prepared by an impartial consultant who had made completely objective comments. His Government had no objection to the publication of the report, which brought out mistakes made in the past and could be of assistance in charting a strategy and policy for the future.

30. Referring to the discussions that had taken place on the report of the Special International Conference (A/8341/Rev.1), he wished to state, having been the Rapporteur of the Conference, that the consensus resolution transmitted to the General Assembly by the Economic and Social Council had been a compromise between all delegations participating in the Conference. Consequently, the inclusion of paragraph 8 in the resolution had not been the result of a technical error. It had been decided that paragraph 8 of the draft resolution would be included in the consensus resolution, but that all

delegations would be entitled to submit reservations and comments on all paragraphs of the draft resolution. That procedure had been accepted and the Rapporteur had not had any authority to delete the paragraph. During the proceedings of the Economic and Social Council, no decision had been taken to the effect that paragraph 6 should be deleted or that a technical error had been committed. He had therefore been extremely surprised to learn that the Secretariat had issued a corrigendum deleting the paragraph. To his knowledge, the Second Committee of the General Assembly had not taken note of any technical error; it followed that the Secretariat itself had taken the decision to delete the paragraph. He therefore very much regretted the Secretariat's action, which must be considered a very dangerous precedent, leading to confusion, and an undue intervention in a matter of substance. The role of a Rapporteur was to be objective and, **indischarging** his duties, he had endeavoured to respect that principle.

31. In view of the crucial role of industrialization, UNIDO's assistance to the developing countries would become increasingly important; consequently, the funds allocated to UNIDO's budget should also be increased. In the light of the communication from the Secretary-General of the United Nations to the Chairman of the Working Group on Programme and Co-ordination (ID/B/WGPC/L.21) concerning the critical financial situation of the United Nations, ways and means should be explored of financing UNIDO's operations and activities in the light of its increased activities.

32. The Group of High-Level Experts established pursuant to operative paragraph 3 of General Assembly resolution 2823 (XXVI) for the purpose of formulating a long-range strategy for UNIDO activities would probably also examine the extremely serious problem of the financing of UNIDO's operations. The States participating in UNIDO's activities might perhaps take a first step by increasing their pledges and voluntary contributions to UNIDO, as well as the special contributions to specific projects made by certain countries.

33. His delegation had supported paragraph 14 of General Assembly resolution 2823 (XXVI) because it felt that the application of the long-range strategy to be formulated by the Group of Experts would require a secretariat organization and structure capable of coping with the Organization's new activities. He therefore urged the Executive Director to take the necessary steps to implement the provisions of that operative paragraph without delay. He commended to the Executive Director the conclusions of the United Nations Administrative Management Service concerning that matter. The opportunity might also be taken to enhance the efficiency of the Secretariat by eliminating possible overlapping between certain posts, thereby saving funds which could be used to finance other UNIDO activities.

34. Mr. BITTENCOURT (Brazil) stressed the importance of the current session and hoped that the Board would take forthwith all necessary steps to give UNIDO the means to follow through the guidelines adopted by the first Special International Conference and approved by the General Assembly. The Secretariat's report on activities in 1971 showed that the impact of UNIDO's activities on the industrialization of the developing countries had been marginal; it was thus essential for the Organization to adapt itself to the path recommended by the Special Conference.
35. Industrialization should from the outset be integrated into the process of economic development as a whole. The fact that the gap between industries in the developing countries and those in the developed countries continued to widen was primarily due to differences between their levels of technology and research. The Special International Conference had recommended that assistance should be first and foremost designed to give the developing countries the wherewithal to solve their technological problems themselves, taking into account local production factors and consumer requirements. If that approach had been adopted, most of these countries would not have been obliged to import technologies not suited to their needs and could have avoided considerable distortions in the secondary sector of their economies.
36. It appeared from the deliberations of the Working Group on Programme and Coordination that all too often the assistance given by UNIDO was not of the kind considered by the Special International Conference as being the most effective. Instead of concentrating on a number of specific industrial problems, UNIDO should be primarily concerned with the overall needs of the industrial sector and their effects on economic development as a whole. That approach was, moreover, in line with the objectives set forth in General Assembly resolution 2152 (XXI) by which UNIDO had been established. In line with the recommendations of the Special International Conference, as endorsed by the General Assembly, UNIDO should concentrate further resources in the industrial sector, namely industrial institutions, training, information and research, thus allowing recipient countries to select the best means of developing their own technology.
37. The long-range strategy should clearly include the periodic evaluation of the Organization's activities, but, since the fundamental criterion was quality of the assistance rendered, recipient countries should be closely associated with such evaluations.

38. To increase the efficiency of UNIDO's activities, the Special Conference had recommended establishing a permanent committee of the Board. If the committee concerned was given broader terms of reference than those of the Working Group (paragraph 9 of the consensus resolution), it could help the Board to study in depth the many problems of industrial development, and review the working methods used thus far. The Special International Conference had also recommended establishing a small Group of High-Level Experts to formulate a new long-range strategy. It was to be hoped that the Group's conclusions would be transmitted to the Board in good time so that it could examine the final recommendations at its seventh session.

39. As to the Second special international conference, it should be held at the beginning of 1974, so that it could view in proper perspective, on a world-wide scale, the progress made and the difficulties still to be overcome during the Second United Nations Development Decade.

40. The recent proceedings of the Working Group had shown that UNIDO had not yet succeeded in carrying out its role as co-ordinator of all the industrial activities of the United Nations family. The situation was all the more regrettable because that role had been specifically mentioned in resolution 2152 (XXI). It was to be hoped that the General Assembly would take all appropriate steps to strengthen UNIDO's authority in that area.

41. Many obstacles still limited UNIDO's effectiveness. In 1971 UNIDO had had at its disposal, for assistance to over eighty countries, the sum of US\$30 million, of which 80 per cent had come from UNDP. If that percentage was not changed, UNIDO's activities would remain tied to the UNDP system of country programming. In view of the lack of interest shown by the developed countries, UNIDO could not count on any substantial increase in either the regular budget of the United Nations or the voluntary contributions. The only solution was to increase the funds of the SIS programme. Unfortunately no progress had been made since the last meeting of the Ad Hoc Committee in New York. Its report (partially reproduced in document ID/B/104/Add.3) emphasized the importance of the SIS programme, and said that it should develop in accordance with the demonstrated needs of the countries requesting UNIDO's assistance, but that the latter must be enabled to provide that assistance.

42. Contrary to the misgivings expressed in 1970, and despite the financial difficulties of the United Nations, UNIDO had shown itself capable of executing a much larger number of projects under both the SIS and other programmes, but that required the strengthening and adequate equipment of headquarters services. UNDP had stated on two occasions that the expansion of resources would not be an impediment to UNIDO's activities in that sector. Consequently the Working Group had been alarmed to hear the Executive Director say that the rate of approvals of new projects by UNDP appeared to be slowing down. It was to be hoped that that was a temporary situation that in no way reflected any lack of interest in SIS on the part of UNDP, and that contacts and consultations between the secretariats of UNDP and UNIDO would be maintained to the benefit of common aims.

43. The programme documents showed that UNIDO expected to execute a programme of about US\$5 million under SIS in 1972. UNDP should regard that sum as fully justified, and any financial adjustments necessary to ensure the continuity and growth of the programme should be made.

44. Industrial pollution of the environment was undoubtedly a serious problem, but it must be recognized that it originated mainly in the industrial countries. The control measures proposed by those countries, which would be discussed at the Stockholm Conference, would substantially increase the cost of industrial development in the developing countries and reduce their competitive capacity. That was clearly unjust, in view of the enormous resources the industrial countries had to remedy the situation. According to preliminary estimates, pollution control in developing countries would increase the cost of their industrial output by about 10 per cent. Any threat to the environment in those countries was purely relative, and was connected with their poverty, which meant that economic development was the only solution.

45. Mr. AILLAUD (Italy) referred to UNIDO's central role in the Second Development Decade, and said that his Government was following the Organization's activities closely, convinced that it was on the industrial development of the developing countries that the progress, and the peace and well-being, of all peoples largely depended.

46. Although some developing countries could easily attain or even exceed the annual growth rate of 8 per cent fixed for the Second Development Decade, others would only reach it gradually. Industrial development was not an end in itself, but one of the elements in what should be a balanced whole. Each country should achieve its economic and social equilibrium by following its own path, in accordance with its geographical and economic situation, its traditions, its civilization, and its human and material resources. Accordingly, the Italian Government had always advocated multilateral aid, adapted to each country's special needs without changing its particular characteristics.
47. Some countries had succeeded in the past in reaching a level of technical and economic development that had changed the appearance of the world, but they had done so alone, and sometimes in conflict with other countries. But the whole purpose of the United Nations was, on the contrary, to organize development on a basis of international co-operation, which required new techniques and methods. Consequently in 1971 the Italian Government had supported the establishment of the Group of High-Level Experts and an Italian expert was a member of it. On the basis of the Group's recommendations, the Board could at its next session take some essential decisions on the future activity of UNIDO.
48. UNDP's resources should remain the principal source of finance for UNIDO's operational activities, as stated in General Assembly resolution 2823 (XXVI). The Italian Government, which had just announced an increase in its contribution to UNDP and hoped to increase it further in coming years, had always urged that UNDP should give industrial development a proportion of financial support in accordance with its importance. But industrial development also required types of action and financing methods adapted to its special needs. Italy had participated in the work of the Ad Hoc Committee, and considered that the best form of co-operation between UNDP and UNIDO was the SIS programme, and that that programme should remain one of the main pillars of UNIDO's activities. The uncertainty and confusion prevailing on that point were the cause of serious problems and delays, and the Board should strive to remedy the situation as soon as possible.
49. In view of the industrial sector's special requirements, the best method of financing appeared to be voluntary contributions, which already amounted to US\$9 million, of which US\$1.2 million had been contributed thus far by Italy. In particular, Italy's voluntary contributions had made it possible to finance a training course for industrial

personnel in 1971, organized by the Istituto per la Ricostruzione Industriale (IRI). Such resources had also enabled UNIDO to arrange a meeting in 1971, at the time of the Milan Fair, of fifteen directors of international fairs from developing countries, who had studied the problem of international fairs as a means of industrial promotion. The results had been so encouraging that the directors of the Milan Fair were prepared to repeat the arrangement. Manpower training and the transfer of technology were undoubtedly the two key elements in the development of the third world countries. But, instead of forcing them to take over the techniques of the industrial countries, an effort should be made, in conjunction with the developing countries' scientists and technicians, to find the techniques that would best suit their needs.

50. The Italian Government had just concluded an agreement with the Executive Director to organize a four-year training programme for industrial manpower. Each year, some of the trainees would be able to learn the techniques of maintenance and repair, and others the techniques of industrial management. The courses would each be for 20-25 trainees, and would be given alternatively in English, French and Spanish. The programme would begin with two training courses in Spanish in September 1972 and January 1973. The execution of the programme would be entrusted to IRI, which had a great deal of experience in that field, having in ten years trained 12,200 people from Latin America, Africa, Europe and Asia using its own resources. Within its voluntary contributions, which would amount to US\$2 million in the next few years, the Italian Government had proposed two subregional programmes to UNIDO. The first concerned the exploitation of iron ore deposits in Africa south of the Sahara, and would relate in particular to the enrichment of those ores. The second concerned the production of machinery and electronic components in Latin America.

51. Now that it had gained experience, UNIDO could define the best methods to adopt for ensuring industrial progress in the developing countries. The essential objectives of the long-range strategy should include the SIS programme, aid to developing countries in formulating their programmes, and aid in helping them to determine the best form of action by the public authorities. The Italian Government had faith in UNIDO, and hoped that it would be able to work with growing effectiveness for industrial progress.

52. Mr. GOHAR (Egypt) said that his delegation fully supported the work programme for 1973 and the updating of the 1972 programme, but found it regrettable that UNIDO should have increased its aid to Israel, a country which had persisted in pursuing an aggressive policy in defiance of United Nations resolutions.
53. Egypt was pleased with the quality of the technical co-operation it received from UNIDO but hoped that the volume of assistance would increase. It also noted with satisfaction that UNIDO's programme of work included projects for the least developed among the developing countries. In that connexion, it fully endorsed the suggestions made by the African countries and Norway in the Working Group. With regard to SIS management and financing, it was unfortunate that unilateral action by UNDP had resulted in a reduction of nearly one half in the number of projects approved during the first four months of 1972. Much remained to be done in that field in spite of the Ad Hoc Committee's recommendations. The Board should, among other things, request the General Assembly to adopt a resolution which would give effect to the Committee's conclusions and lay down specific guidelines concerning the basic aspects of the programme, for which the level of financing should be US\$4 million per annum.
54. Since UNIDO was the international agency upon which a speeding up of industrial development in the developing countries depended, it was essential that it should receive adequate financial resources to enable it to cope with intensification of the programmes required by the countries concerned. In spite of the military aggression to which it had been subjected in June 1967, which had led to the occupation of part of its territory, Egypt's voluntary contributions to UNIDO amounted to some 6 per cent of the total funds received by the Organization during the period 1969 to 1972. It proposed to continue to contribute to the UNIDO General Trust Fund.
55. UNIDO's next special international conference should be held in 1974, to enable both the developing countries and the international organizations to evaluate the situation in the Second Development Decade. The industrialisation of the developing countries might well be included in the agenda of the conference which should meet for at least two weeks and discuss technical rather than administrative questions.
56. The proposed permanent committee should discharge its duties in such a way as to provide the Board with effective assistance in its functions. At its first session, which might be held in the spring, it could, as the Working Group had done, consider past, present and future programmes. At its second session, to be held in the autumn, it

could carry out an in-depth study of one or two branches of industry, such as iron and steel, research or training, and discuss world and regional industrial surveys. It would then be in a position to assist the Board in making recommendations to the States participating in UNIDO's activities and giving instructions to the Secretariat.

57. The Egyptian delegation was looking forward to a progress report from the Group of High-Level Experts which had met recently. With the co-operation and understanding of all the parties concerned, the Board should be in a position to take whatever steps were required to ensure that UNIDO had sufficient financial resources and a greater degree of autonomy and flexibility in helping the developing countries to industrialize within the framework of the Second United Nations Development Decade.

58. Mr. PROBST (Switzerland) felt that the Board's present session was particularly important in that it provided a forum for a review of UNIDO's activities since the Special International Conference. The Group of High-Level Experts, one of whose members was a Swiss, should present specific proposals based on the suggestions made at various sessions of the Board and of the Special International Conference. Small-scale industry played such a leading part in the development process that it should be given a prominent place in UNIDO's long-range strategy.

59. With regard to the measures adopted since the Special International Conference, the Swiss delegation welcomed the immediate contacts that had been established to solve the problems which had arisen between UNIDO and UNDP.

60. At the first of its two annual sessions, the proposed permanent committee should continue the work at present being done by the Working Group - i.e. it should concern itself primarily with the elements of the programme relating to the adaptation and improvement of techniques and the industrial infrastructure of the developing countries. At the second session, it could evaluate the effectiveness of the programmes and of the projects carried out in the various fields of activity. The constant evaluation of UNIDO's activities was the best means of "getting on target" and increasing the effectiveness of the activities in question.

61. Switzerland had tried to help the developing countries to lay the foundations of the economic infrastructure essential to their industrialization, by making long-term loans available to them on favourable terms. The Government had been authorized to devote 400 million Swiss francs to financial assistance for development during the next three years. These funds were intended for multilateral as well as bilateral

operations. In addition the Swiss Government proposed to make available 275 million Swiss francs for technical assistance over a period of two and a half years, an increase of 50 per cent over the preceding period. But Switzerland was also encouraging private investment, which - if it was of the right kind and brought technical know-how into the host country, created jobs and resulted in productive re-investment in the country itself - continued to have a role to play in the development process.

62. Through two voluntary contributions - amounting to 1 million Swiss francs in 1968 and 1.3 million in 1971 - Switzerland had organized seminars on industrialization for senior officials from developing countries. In addition to these meetings there had been 12 seminars (with 149 participants), mainly at UNIDO headquarters, two regional seminars attended by 28 senior officials, and a training course for 12 participants in the field of the chemical industry. With regard to the future, three seminars at Vienna and three regional seminars were planned. At the beginning of 1972, Switzerland had introduced a generalized system of preferences to favour the exports of developing countries and thus increase their earnings. It was to be hoped that co-operation between UNIDO, UNCTAD, GATT and UNDP in that area would lead to the expansion of such measures, which were of great benefit to the developing countries.

63. Mr. TRAORE (Mali) said that the documents before the Board, and in particular the report of the Working Group, contained no conclusions or recommendations to help the Board discharge its responsibilities and adopt decisions which would serve as guidelines for the Secretariat. In view of the considerable volume of the documentation, which was of high quality, he was glad that the Secretariat had drawn up a brief list of items on which action by the Board was required at the sixth session (ID/B/L.110).

64. His delegation had been disturbed to read in paragraph 8 of document ID/B/97 (Part I) that the limitations on UNIDO's regular budget represented the main factor restricting the growth not only of headquarters activities but also of operational activities. Mali consequently supported paragraph 9 of the same document and urged that a pressing appeal should be addressed to the Secretary-General, UNDP and the developed countries in general for measures to be taken to ensure that the insufficiency of UNIDO's resources did not oblige it to abandon the implementation of its programme and interrupt the industrial development programmes of certain developing countries which were coming to it more and more for help.

65. The Malian delegation considered that the SIS programme should be maintained in its existing form and that the only changes made in it should be in the direction of greater flexibility, in view of the particular requirements of industrial projects.
66. Mali had been pleased to read the report of the Ad Hoc Committee on Co-operation between UNDP and UNIDO, and hoped that the Board would ask the General Assembly to renew the Committee's mandate and would ask to be kept periodically informed by UNIDO and UNDP of the implementation of the recommendations made by the Committee.
67. For the time being, it was very difficult to evaluate the real effects of the measures adopted within the framework of the Second United Nations Development Decade on economic and social progress in a country such as Mali. However, since the International Development Strategy provided for an evaluation of results in the middle of the Decade, his delegation proposed that the second special conference of UNIDO should take place in 1974. The conference should last two weeks and concern itself mainly with the specific problems posed by the industrial development of the developing countries.
68. In his view, the Board could, at its present session, ask the General Assembly to take a decision on the date and duration of the conference and to give the Board the task at its seventh session of making the necessary preparations for the conference whose conclusions would be considered in the evaluation of the first part of the Development Decade. The Secretariat would need to have the necessary resources for the preliminary work by the end of 1972.
69. The evaluation reports on technical assistance did not really give an idea of the impact of such assistance on the economic and social development of the developing countries. In his delegation's view, it would be useful for the Board to consider other solutions by which it might be possible to abandon the old technical assistance formula, the effects of which were difficult to assess. In industrial development, technical assistance should be concentrated as much as possible and relate to quite precise fields where multiplier effects could make themselves felt, both over a period of time and over a geographical area. The Malian delegation proposed to submit a draft resolution to that effect in due course.

70. Mr. IVAN (Hungary) emphasized the importance of the current session as the first after the Special International Conference of 1971. In connexion with the long-range strategy for UNIDO, he wished to examine what was meant by UNIDO's "operational activities". As the world economy became more and more complex, the decisions taken by individual countries had an impact on the development of other economies. Even within a country, new plants could not be established without considering the effects of such a decision on the development of other industrial sectors or even on the entire economy of the country. Consequently, detailed planning was essential and it was particularly important that UNIDO should be in a position to make available to bodies responsible for industrial development in the developing countries information on the main technical and economical trends in the various sectors. It should also analyse prerequisites for the development of various branches of industry in individual countries or groups of countries. Obviously, such activities could only in part be carried out in the countries themselves, but although from the administrative point of view they were classified as "supporting" activities, they might in fact have an impact even more significant than many operational activities executed on a project by project basis.

71. The developing countries were rightly endeavouring to exercise more and more their sovereignty over their natural resources. Nevertheless, they were encountering a number of problems; the exploitation of those resources more often than not required vast investments which could not always be raised from domestic sources. Furthermore, if the developing countries did not process their own raw materials they ran the risk of becoming subordinated to other countries or large international monopolies which would take over that function. On the other hand, the structure of industrialization in a given country was determined by the availability of raw materials and sources of energy. There was, therefore, no justification for natural resources and industrialization being dealt with separately in the United Nations system. Necessary steps should be taken to ensure that problems closely related to the industrialization of developing countries were dealt with in an integrated way. That obviously would require an expansion of UNIDO's functions.

72. Emphasis should be placed on UNIDO's role in the transfer of technology - an issue to which international organizations were giving increasing attention. UNCTAD had shown considerable interest in the commercial aspects of the problem. If the transfer of technology was to make it possible to bridge the technological gap between advanced and developing countries, the latter should be given adequate information on the technology available throughout the world and should be able to select the kind most advantageous for them. Finally, they should be capable of adapting and utilizing such technology. Only an organization with the necessary knowledge and staff, like UNIDO, could collect and disseminate information on modern technology and help the developing countries to select and apply it.

73. He proposed that the Secretariat should prepare for the next Board session a document summarizing UNIDO's activities in that area and defining the Organization's main objectives and the means it should use to attain them. Due account should be taken in that document of the proposals accepted by UNCTAD at Santiago and by other competent United Nations bodies.

74. UNIDO would be able to discharge its co-ordinating functions more efficiently once it was in a position to identify the most important issues and to formulate the strategy of industrial development. Instead of being restricted to taking note of the activities of other United Nations organizations in the industrial field; it would then define the most important tasks of industrial development which other organizations would endeavour to solve within the limits of their competence.

75. UNIDO would not be able to discharge all its responsibilities fully until it became a truly universal organization and admitted the German Democratic Republic to participate in its activities. His delegation had already indicated in the Working Group various items of the work programme in which Hungary had participated, or was willing to participate in the future. Furthermore, as it had announced at the recent session of UNCTAD, Hungary had introduced, as from 1 January 1972, a preferential tariff system covering a wide range of raw materials and semi-finished and finished products from the developing countries. It supported UNIDO's efforts to assist the developing countries in establishing export-oriented industries.

76. Hungary also supported UNIDO's work by voluntary contributions and by putting its experts at UNIDO's disposal. In that connexion, he said that UNIDO did not make sufficient use of the experts of the socialist countries, and that it could always count on the assistance of the Hungarian National Committee and Hungary's official organs.

77. Mr. LUITSZ (Netherlands) said that for many years the developing countries had been fighting malnutrition and striving to increase their growth rates. It was true that some progress had been made, but if the population of these countries continued to rise at its present rate, there might well be a decline. Moreover, the developing countries were now grappling with an increasingly serious problem, that of mass unemployment and under-employment. If that problem was not to take on disastrous proportions, the countries concerned, and the whole world community, would have to make exceptionally strong efforts. UNIDO would have a major part to play in that respect, in close co-operation with the ILO. When UNIDO considered projects, it should always take into account their effect on employment. In fact industrial development should no longer aim mainly at increasing the per capita national product, but at creating additional employment. In that connexion he referred to the example of the Economic Commission for Asia and the Far East, which was more and more concerned with the social aspects of economic development.

78. Thus one of the most important tasks of UNIDO in the coming years might be to encourage the establishment of labour-intensive industries. In that respect the agro-industries were important, since the establishment of such industries in rural areas, where 70 per cent of the population of the developing countries still lived, would make it possible to create additional employment and reduce the pressures associated with urbanization. UNIDO should continue to give great emphasis to the development of these industries.

79. The Special International Conference had recommended that the Board should establish a permanent committee that would meet twice a year. The committee should devote its spring session to examining the questions now dealt with by the Working Group. During that session the permanent committee should also, in accordance with the terms of the consensus resolution, deal with the activities of the organization relating to the application, adaptation and development of technology. The Board could then act immediately on the suggestions of the permanent committee. At the autumn session the committee should undertake an in-depth evaluation of certain UNIDO activities, and embody its conclusions in a report that would be submitted to the Board.

80. The Special International Conference had also recommended the appointment of a small Group of Experts to formulate the long-range strategy for the activities of UNIDO. When the Board examined the report of the Group it should have the Executive Director's views on the effect of the strategy formulated by the Group on the internal organization of the Secretariat. The increase in UNIDO's workload, as a result mainly of the rise in the number of field projects, but also of the new activities that would be entrusted to the Organization, would be likely to require a restructuring of the Secretariat. That might be the opportunity of making desired changes in the programmes of the substantive divisions. It was also necessary to ensure that the Executive Director and the senior officials were not overloaded with work.

81. In conclusion he wished to turn to the question of the recruiting of experts. UNIDO was often obliged, particularly for the SIS projects, to engage experts at short notice and for short periods. In these circumstances it was sometimes hard to find the necessary experts in private industry. But Governments often employed the same type of experts, and could help UNIDO to solve its recruitment problems. Moreover, the Governments often subsidized technical and research institutions that could also provide an important source of experts to be recruited for short periods. It might be a good idea to make a systematic inquiry into that question.

82. Mr. AZZABI (Libyan Arab Republic) said that many developing countries had become aware of the need to develop their industries, and were devoting a large part of their investments to industrial development. They had to adapt techniques imported from the advanced countries to local conditions, and wished to obtain them on fair terms free of restrictive conditions. That was why they supported UNIDO, recognizing it as the main international instrument for industrial development.

83. When the SIS programme had been established, the developing countries had hoped that UNIDO would at least have the additional funds necessary to take appropriate steps to solve the most urgent problems of industrial development in the third world. Now that the funds of SIS had been placed wholly under the control of UNDP, the SIS programme could no longer achieve the aims for which it had been established.

84. The Ad Hoc Committee on Co-operation between UNDP and UNIDO established by the General Assembly had drawn up specific conclusions on SIS, the flexibility of technical assistance, multi-country projects in industry, the co-ordinating functions of UNIDO, and UNIDO industrial field advisers. His delegation fully supported the Committee's recommendations, and would like to know why they had not been implemented. It urged the Board to ask the General Assembly to see that the recommendations were acted on.

85. Libya suggested that the Board should decide that the next special international conference of UNIDO should be convened in 1974. Unlike the 1971 Conference, it should concentrate entirely on the industrial development problems of the developing countries. It should last at least two weeks.

86. He would like the proposed permanent committee of the Board to devote its spring session to an examination of UNIDO's programme of work and an evaluation of its activities. At its autumn session it should undertake an in-depth review of the Secretariat's studies on various branches of industry, dealing with the problems with which the developing countries were faced, together with possible solutions. At that session it should also examine the industrial studies carried out by UNIDO and the conclusions reached in the regional surveys. He suggested that both technical and administrative representatives should attend the autumn session.

87. UNIDO should be strengthened and its regular budget increased.

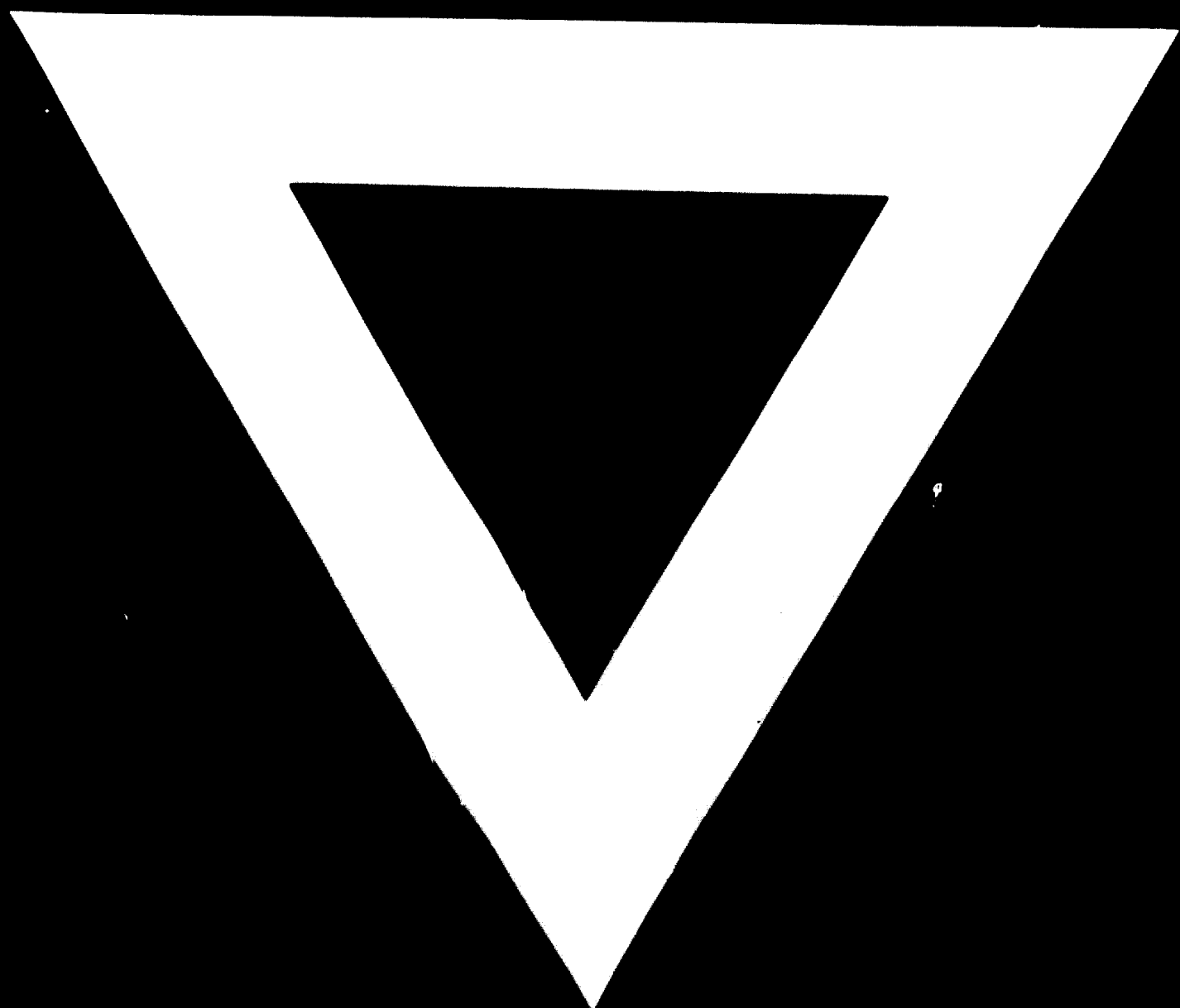
88. He urged the Secretary-General of the United Nations to assist the developing countries in that respect. He would ask UNLP to increase substantially the share of resources allocated to the organization of in-plant training courses and of seminars on the transfer of technology. He would further request the Board to recommend to the General Assembly that the annual allocation for projects financed under the SIS programme should be raised from US\$4 million to US\$5 million. He noted with satisfaction that as of 31 December 1971 41 per cent of the total voluntary contributions made by developing countries had come from Arab countries.

89. The Libyan delegation viewed the technical assistance provided by UNIDO as a partnership. It believed in that principle, although UNIDO had been unable to apply it fully because of administrative difficulties within the United Nations system. The developing countries needed experts who not only gave advice but took a personal part in the implementation of projects. They needed such experts urgently and should not have approval of their requests delayed for months. He asked UNDP and UNIDO to agree on the approach to technical assistance in the field of industry and to simplify their procedures by adapting them to the specific needs of that sector.

90. The Libyan delegation noted with satisfaction that UNIDO's programme of work had improved. It supported that programme as a whole and hoped that it would be expanded to meet the requirements of the developing countries.'

The meeting rose at 6.35 p.m.





19.7.74