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## Industrial Development Board

Sixth Session

Vienna, 23 May - 2 June 1972

### SUMMARY RECORD OF THE ONE HUNDRED AND TWENTIETH MEETING

Held at the Neue Hofburg, Vienna,  
on Wednesday, 24 May 1972, at 3 p.m.

<u>President:</u>	Miss STIEG (Federal Republic of Germany)
later,	Mr. Metody POPOV (Bulgaria)
<u>Reporteurs:</u>	Mr. HAMISL (Libyan Arab Republic)

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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 (CONTINUED)

1. Mr. PUTTEVILS (Belgium) said that he wished first to pay homage to the work done by Mr. Lurié, who had recently died while preparations had been going on for the current important session of the Board.
2. Apart from the problems posed by the present economic situation, a number of basic principles should be stressed in relation to the long-range strategy. UNIDO must play above all the role of a catalyst. Its action must be specific and at the same time integrated within the activities of the United Nations system - in other words, it must be co-ordinated with the efforts of UNDP and the other bodies concerned with industrialization. In stressing training activities, UNIDO was helping to expand the possibilities for using national resources. It must constantly review its action so as to make the best use of the resources made available to it.
3. Belgium had always based its support for UNIDO on those principles. Thus, it had always supported activities concerned with training, investment promotion and the establishment of pilot plants and institutes and encouraged whatever could help to shorten the waiting period for the granting of assistance (SIS, use of subcontracting where appropriate, improvement of expert-recruitment procedures). It had also supported all the measures proposed in favour of the least developed countries. In that connexion, the Belgian delegation agreed with other delegations that UNIDO should prepare a long-term plan of action in favour of those countries.
4. For the sake of efficiency, it would also like to see the volume of the documentation submitted to the Board reduced.
5. Belgium's support for UNIDO and the industrialization of the developing countries also assumed more concrete forms: the contribution of 3 million Belgian francs to finance training activities; active co-operation in various programmes and the sending of associate experts, who strengthened UNIDO's action in the field; and participation in trilateral programmes intended to integrate the bilateral assistance effort into the United Nations effort, for example the establishment of a metallurgical research institute in Chile and a pyrethrum processing plant in Rwanda. In addition, the Belgian Government had taken a number of steps to promote industrial investment in

the developing countries. It has signed several bilateral agreements on the protection of investments and would shortly conclude tax agreements on double taxation with countries so desiring. Since 1970 Belgian investments abroad, including those in the developing countries, could be guaranteed against non-commercial risks. A Belgian investment company had been set up to contribute to the financing of enterprises abroad. Belgium had joined the International Centre for Settlement of Investment Disputes (ICSID). Export credits were granted by Belgian banks and guaranteed by the Belgian credit insurance body.

6. In the area of official aid, the Belgian Government contributed to the financing of various international institutions which provided assistance in the industrialization of the developing countries.

7. Finally, as long ago as 1970 the Belgian parliament had declared itself in favour of an official contribution to development representing 0.7 per cent of the GNP, a rate to which it would rise gradually and which it expected to reach by 1975. It was in a constructive spirit, therefore, that Belgium associated itself with the efforts of UNIDO and especially with the efforts of the countries achieving industrialization.

8. Mr. FUJIYAMA (Japan) said that he thought the most important event to have occurred since the last session of the Board was the adoption of country programming within the framework of UNDP. Under that system, the Governments of the recipient countries decided for themselves what percentage of their indicative planning figures they would devote to industrial development programmes or to projects executed by UNIDO. It would thus be unnecessary in future for the Board to consider the various projects in detail; it would also be very difficult for it to establish priorities or guidelines for the operational activities of the Organization.

9. It was his delegation's fervent wish that UNIDO should play an increasingly important role in the industrialization of the developing countries, and that to that end it should try to improve the efficiency of its operational activities and at the same time devote a larger part of its resources to supporting activities. UNIDO should formulate a long-term strategy for the latter after first re-examining all the current programmes in order to select really useful projects on which

the Secretariat might concentrate its efforts. His delegation regretted the difficulties which UNIDO had experienced in financing certain regional and inter-regional projects, and was in complete agreement with the statement of the Executive Director on that point. It urged all the participating States, developed and developing, to study effective means of remedying the situation.

10. He supported the establishment of a permanent committee of the Board. In defining the terms of reference of that committee, however, the Board should take special care to obviate duplication between the two sessions and to avoid placing an undue burden on the Secretariat.

11. Bearing in mind the financial difficulties which confronted all organs of the United Nations, and also the continued increases in the budget and staffing of UNIDO, his delegation thought that the Board should show caution and wait for the next session before taking whatever decisions might be dictated by the situation as it developed. It would support any attempt to improve the machinery for consultation among the secretariats of UNIDO, UNDP and other United Nations bodies concerned.

12. With reference to the SIS programme he said that, although the programme had proved its worth, it was still open to certain criticisms. The crux of the matter was that the countries which made use of the SIS programme could obtain additional resources over and above the indicative planning figures. This led to an inequitable distribution of SIS funds, whereas all the developing countries should be able to use the resources in UNDP's Programme Reserve. He hoped that UNIDO, in co-operation with UNDP, would find solutions to that serious problem. Consideration might be given, for example, to redistributing the funds earmarked for SIS among all the UNDP recipient countries in proportion to their indicative planning figures (IPF), and allowing them to finance SIS projects up to a certain percentage of their IPF which would be fixed by agreement between UNDP and UNIDO. The Board should give immediate attention to formulating its own guidelines for the SIS programme.

13. In conclusion, he said that the Japanese Government had agreed at the beginning of the Decade to endeavour to provide to developing countries an amount equivalent to 1 per cent of its gross national product by 1975. Japan had attained the level

of 0.9 per cent (\$2,100 million) in the past year. At the third session of UNCTAD it had declared its intention to do its utmost to raise its official development assistance to the equivalent of 0.7 per cent of the gross national product. It had also said that it was prepared to examine the possibility of untying its aid unilaterally, before an international agreement was reached. Japan had, moreover, increased its voluntary contribution to UNDP by 38.9 per cent in the current year. In addition to UNIDO's in-plant training programmes the Japanese Government was to host a symposium on maintenance and repair in the early part of 1973.

14. Mr. STIBRAVY (United States of America) said that since his delegation was concerned that UNIDO should make a truly effective contribution to the industrial development of the developing countries, it had called attention at previous sessions to shortcomings in the Organization's activities. The Secretariat had taken some of those remarks into account, but much remained to be done; in particular, priorities were not clearly identified, project activities and management were unduly dispersed and, as a result, impact was unnecessarily reduced. Therefore, his delegation was gratified that the Special Conference had decided to entrust the task of formulating a strategy to an expert group; an expert from his country was participating in its work. The United States looked forward with interest to receiving the results of the group's deliberations, which were to be submitted to the Board in 1973. Meanwhile, the Board had other important matters to consider.

15. In view of the precarious financial situation of all United Nations bodies, UNIDO should fully support the austerity measures recommended by the Secretary-General. Until a solution had been found to the budgetary problems, UNIDO would have to make a choice between different activities, in the interests of the developing countries themselves.

16. In that connexion, his delegation noted from paragraph 8 of the document on the programme of work (ID/B/97 (Part I)) that UNIDO had to draw on its regular budget to subsidize operational activities financed by UNDP and that the continued limitations on the regular budget restricted the growth of operational activities. He associated himself with earlier speakers who had said that operational activities - particularly those included in country programmes and SIS projects - should receive priority.

To avoid placing too heavy a burden on the UNIDO regular budget, the overhead costs of UNDP projects should be borne by UNDP. The Governing Council of UNDP was soon to review the problem and its decision would be of great importance to UNIDO. Finally, because of UNIDO's limited resources, the Secretariat found itself obliged to seek additional contributions. That practice was to be recommended only to the extent that it made it possible for priority projects to be carried out; it was obviously not desirable if programmes had to be disadvantageously altered in order to adapt them to the type of resources available, or if the Secretariat spent a disproportionate amount of time in seeking such resources.

17. He thought there was a disturbing tendency to equate the level of financial expenditure with achievement, although he did not suggest that the flow of resources for economic development should be reduced. The important point was the quality and timeliness of the assistance rendered and the contribution it made to development.

18. The causes of delay were often outside UNIDO's control, but the Executive Director should continue his efforts to find opportunities for improvements in the structure of the Organization and its administrative procedures in order to accelerate assistance, improve its quality and reduce overheads. The rapidity of UNIDO's response to requests for assistance also depended on its relationship with other United Nations agencies dealing with industrial development, in particular UNDP. His delegation welcomed the fact that UNDP and UNIDO had decided to hold periodical consultations and felt that it would be best if the Executive Director and the Administrator of UNDP attempted to solve difficulties directly between them, without extensive involvement of the Board and the UNDP Governing Council. It also considered that methods of co-operation between the two organizations should take into account the central role given to UNIDO by the General Assembly in the field of industrial development.

19. If in coming years the Board succeeded in formulating a strategy based on the findings of the Group of Experts, it might also find it possible to examine broader questions of policy and programme and to de-emphasize the traditional method of project-component consideration. The review of activities might then be carried out biennially. Three prerequisites were necessary for that: the adoption of a well-defined UNIDO strategy, the establishment of a high-level programming mechanism in the Secretariat and the development of a similar programme-evaluation mechanism. As his delegation had



indicated in the Working Group, it considered that UNIDO should have a mixed evaluation system, both internal and external. For example, it would be possible to establish a full-time internal unit for programme planning and evaluation, which would report directly to the Executive Director and would establish general evaluation criteria and special criteria applicable to particular projects. The unit could also be authorized to seek independent outside evaluation of certain projects or programmes. In addition to improving the quality of the programme, an effective programme planning and evaluation procedure would make it possible to reduce the time spent by the staff on explaining and justifying programmes.

20. With respect to the UNIDO strategy, he emphasized that it could not consist of a series of directives uniformly applicable to all countries. In the country programming process, under which the recipient countries themselves decided how the resources made available to them would be used, UNIDO should continue to help them decide on the nature, scope and objectives of the technical assistance desired in the industrial sector. Lastly, if UNIDO's operational activities were to be effective, they must rest on a balanced, well thought-out supporting programme, providing leadership and a link with the experience and capabilities of the industrialized countries. The designing of the strategy would demand the full attention of the experts, who should avoid becoming involved in questions of financing and organization.

21. In conclusion, he pledged the best efforts of the United States in support of the joint endeavour of all Governments to achieve UNIDO's objectives.

22. Mr. ABDELAZIZ (Algeria) said that May 1972 constituted a notable date in the industrial development of his country, where President Boumedienne had just inaugurated a number of projects: an oil pipeline, a gas pipeline, a steel plant, a rolling mill, and a phosphate fertilizer complex. Further projects in the petrochemical and engineering sectors would shortly be carried out along with the other activities undertaken in the various areas - industrial, economic and social - as part of the Four-Year Development Plan for 1970-1973. Parallel with the industrial programme, activities were being undertaken in agriculture that should have the effect of radically changing the appearance of the rural world in Algeria, while in the cultural sphere there was a campaign to restore its own character to a nation long under colonial rule, and to throw open to its young people the world of knowledge, science and technology.

23. The Algerian people, whose full energies had been mobilized in this effort, gratefully welcomed all disinterested assistance, particularly that of UNIDO, whose work for the less advanced nations was fully appreciated. UNIDO's aid to the developing countries would, however, be even more effective if its aims were better defined and its resources more judiciously allocated. Some of its resources were still going to aid for Israel, although that country had always refused to comply with the many resolutions adopted by the United Nations. That was an anomaly that should be corrected without delay.
24. In the control of pollution the developed countries had undertaken research at a high technical level, but the problem of the environment was not of the same nature in the developing countries, whose first concern must be to ensure that every citizen had a steady and sufficient income.
25. The SIS programme had always responded in quite a remarkable way to the needs of the government departments responsible for promoting Algeria's industrial development. He also wished to emphasize the importance that the Algerian delegation attached to the maintenance of continuing contact between UNDP and UNIDO, with a view to increasingly effective action in support of the developing countries.
26. With respect to the problem of industrial information and the transfer of technology, he said that no company would agree to make over freely to the public domain manufacturing processes from which it had not yet drawn the maximum profit. Consequently it was necessary to organize transfers of technology differently, making available to the developing countries information which was in the public domain, disseminating the knowledge acquired by UNIDO's experts, and also perhaps establishing a roster of the "old hands" from industry in both the developed and developing countries who might be ready to give their help in solving industrial problems. The Centre d'études industrielles et technologiques du Maghreb, at Tangier, could benefit from such an increased transfer of knowledge, to the advantage of the countries of the Maghreb.
27. The Algerian delegation supported the establishment of a permanent committee to meet twice a year, in the spring and autumn. As to the convening of the second special international conference, the beginning of 1974 appeared the best time for it.

28. The Group of High-Level Experts should study how UNIDO could help the developing countries to regain control of their national resources and develop them more efficiently. Algeria no longer believed in the philanthropy of large capitalist firms. The developing countries must make themselves responsible for their own destinies; the assistance they received was only a supplement to their national efforts. The formula of multinational co-operation appeared to be more in line with these countries' interests, and UNIDO had a major role to play in speeding up the industrial development of the developing countries and establishing a more just and thus more lasting peace.

29. Mr. ABBAS (Kuwait) noted with satisfaction the improvement in the quality of UNIDO's work programme and felt that the project components of the programme met the needs of the developing countries and of the least developed countries in particular. UNIDO's performance was all the more impressive in view of the limited resources at the Organization's disposal. Since industrialization was a comparatively recent phenomenon in the developing countries, the funds allocated to UNIDO should be increased - the Organization's regular budget was, in particular, inadequate.

30. Kuwait contributed to the UNIDO General Trust Fund and felt that the projects financed through the Fund were well adapted to the needs of industry because they were not subject to the bureaucratic constraints which characterized UNDP projects. For example, resources from the Fund had been used to organize a regional meeting on co-operation between Arab countries held in Kuwait in 1971.

31. His delegation regretted that UNDP had not yet taken practical action on the recommendations of the Ad Hoc Committee. It was essential that the Committee's conclusions should be followed through, since they affected the future of co-operation between UNDP and UNIDO and, more specifically, the SIS programme, the annual budget for which should be between 14 and 15 million. It was to be hoped that the General Assembly would adopt specific guidelines on the subject.

32. The second special international conference should be convened for two weeks in 1974 in order to discuss the problems of industrialization of the developing countries. The conference's role should, however, be of a substantive rather than an administrative nature, organizational matters being left to the industrial

Development Board. He agreed with earlier speakers that the proposed permanent committee hold a spring session devoted to the consideration of the work programme and an autumn session devoted to an in-depth study of two or three industrial sectors and the examination of the world survey prepared by the Secretariat.

33. UNIDC's role in in-plant training programmes and the transfer and adaptation of technology should be considerably increased, particularly on a regional and inter-regional basis. Nevertheless, the authorities concerned should be given sufficient notice of training programmes to enable them to nominate suitable candidates. All Arab States appreciated the efforts of the Industrial Development Centre for Arab States (IDCAS); to promote industrialization; they supported the co-operation between the Centre and UNIDO and hoped it would be strengthened. Kuwait had made a contribution to UNIDO of \$100,000 and its support would continue, but it hoped that the Organization would expand its assistance to newly emerging countries in the Arab region.

34. Mr. FERNANDINI (Peru) observed that the Board's current session was taking place at a time when the United Nations was undergoing a crisis; UNIDO should therefore endeavour to plan its activities in such a way that they produced the greatest possible effect. Considerable success had already been achieved and the outlook for the future was encouraging. All countries were interested in UNIDO's work and it was to be hoped that those in a position to do so would increase their contributions to the Organization.

35. The development of co-operation between UNDP and UNIDO was essential if the Organization was to operate more efficiently. The Board should, therefore, give careful attention to the recommendations of the Ad Hoc Committee on Co-operation between UNDP and UNIDO. The Committee should continue its work for several years so that it could review and evaluate activities. Furthermore, UNIDO should be allowed to assume the central role assigned to it when it was established. UNIDO's mandate had been approved by developing and developed countries alike, but unfortunately the Organization was not always able to exercise its authority because of the opposition it met from other organizations - a fact which was hampering its development. Delegations which attended the Board's meetings were also represented in the General Assembly and they would certainly all agree that the resolutions of the General Assembly should be adhered to scrupulously.

36. His delegation attached great importance to the SIS programme, the value of which was unquestionable. The Special International Conference of UNIDO had been a milestone in the history of the United Nations and of industrial development and the consensus resolution adopted by the Conference had been approved by the General Assembly of the United Nations. In his view, the next conference should be held in 1975.
37. The Board was scheduled to consider at its next session the report of the Group of High-Level Experts on Long-Range Strategy of UNIDO. The Executive Director had expressed the hope that the representative of Peru, in his capacity as Chairman of that Group, would already be able to give some information on the Group's first session. Unfortunately, the Group had held private meetings and its members had agreed not to divulge the content of their deliberations. It was difficult to reach a consensus on such a complex subject as a long-range strategy. It had been agreed that each of the experts would formulate suggestions and that the Chairman would prepare for the next session a report recording all the views expressed. As the Chairman of the Group, he would like to hear the views of members of the Board on the long-range strategy for UNIDO so that he could communicate them to the Group at its next session. It was clear that the decisions taken would have to be in line with the consensus adopted by the 1971 Special Conference. The question of a permanent committee was extremely important; he felt that the committee should meet twice a year, once before and once after the Board session.
38. His delegation, for its part, felt that in order to make the long-range strategy more effective, regional offices should be established in Africa, Asia and Latin America. That idea was by no means a new one but it was of particular significance in relation to the long-range strategy. Regional centres could be extremely useful in reducing current delays in the approval of countries' requests. It was not his delegation's intention to propose the establishment of new administrative bodies since it was aware of the need to save money. However, there was no reason why some headquarters staff could not be transferred to those countries. The services in Vienna had had an important role to play in the early days of UNIDO but the Organization had now been in existence for five years and if it wished to play an active role, it was better that it should be represented in

the areas where projects were being executed. Admittedly, resident representatives and experts were already assigned to those countries, but there was also a need to have staff on the spot who were competent to take high-level decisions.

39. The problem of inadequate resources should be solved by making better use of contributions. Nevertheless, he welcomed the fact that the volume of contributions had increased. The specialized agencies and the World Bank group were willing to work together with UNIDO. Industrial development was one of the elements of economic development as a whole, and UNIDO's activities were therefore of importance to the whole of mankind. If progress was to be made in that area, there must be greater unity among the developing countries and in the Group of 77 and greater understanding on the part of the developed market-economy countries and the socialist countries.

Mr. Metody Popov (Bulgaria), Vice-President, took the Chair.

40. Mr. BROWNING (United Kingdom) said that, in endeavouring to provide direct assistance in the industrial field, UNIDO had a particularly difficult task to perform, as his own Government had discovered in its efforts under its bilateral aid programmes. He commended the courage with which UNIDO had tackled its task. Much had been achieved, as his country had had occasion to note. For its part, the United Kingdom Government was prepared to co-operate fully with UNIDO in a practical way with a view to improving the quality of its services. It had run a number of in-plant training schemes, was taking a full part in the correspondents scheme, had assisted UNIDO in recruiting a large number of experts from the United Kingdom and was trying to find ways of associating United Kingdom industry more closely with UNIDO's work.

41. No United Kingdom Committee for UNIDO had yet been established but he hoped that one soon would be. He would like to hear the experience of countries which had already set up National Committees. With regard to UNIDO's work programme, his Government was particularly interested in activities aimed at establishing and extending direct relations between industry in developing and developed countries and in the various aspects of industrial training.

42. On the question of relations between UNDP and UNIDO, the point of policy at issue was how the SIS programme was to be fitted in with the new system of country programming established by the UNDP Governing Council. The other points of difficulty were administrative ones and he was glad that the two secretariats were working closely together to sort them out.

43. Some delegations had stressed the importance of the proposed permanent committee being an expert group and had suggested that it should be concerned with evaluation. His delegation agreed with that approach and hoped that the terms of reference and working arrangements of the committee would enable his Government to send experts to make a real contribution to its deliberations, which should be aimed primarily at improving the quality of the service provided by UNIDO.

44. He regretted the fact that he was not qualified to offer suggestions on the long-range strategy to be adopted by UNIDO but hoped that the Group of High-Level Experts would submit proposals on the work to be done in the future which would be of a practical kind. His Government had been disappointed that its nominee for the Group had not been selected since he was an industrialist with great experience in developing countries. The services of that expert nevertheless remained available to UNIDO if needed. The interest of the United Kingdom Government in the work of UNIDO was not confined to the meetings of the Board and the Working Group but extended throughout the year.

45. Mr. KAMEL (Industrial Development Centre for Arab States) stressed the interest of the Arab States in the promotion of industrial development. However, much remained to be done before the desired objectives were achieved since the economy of most of the countries concerned still depended primarily on agriculture and mining. Just as the establishment of regional groupings and the international division of labour had contributed to industrialization in the world, so would co-operation and co-ordination among the Arab States ensure better use of the capital invested in industrial projects. The role of the Industrial Development Centre for Arab States (IDCAS) was precisely to promote such co-operation and co-ordination. Nevertheless, the assistance which UNIDO had provided to the Centre since 1969 under the SIS programme and through voluntary contributions should be increased in order to improve the aid supplied to the Arab States. IDCAS had carried out a number of industrial surveys and had issued investment guides and statistical bulletins covering major branches of industry. It had also given technical advice on feasibility studies and had sought to standardize national accounting methods, to increase productivity, to improve management and to measure performance. Furthermore, IDCAS was setting up a centre for documentation and information and, in addition, a group of specialized regional centres. Also under consideration was the establishment of regional institutes which would provide specialized services to the countries of the Arab world.

46. As indicated in paragraph 16 of the evaluation report on UNIDO/IDCAS co-operation (ID/B/98/Add 4), joint projects had been formulated in the light of the objectives of both organizations. UNIDO provided assistance to the countries in the IDCAS region and helped the Centre to strengthen its staff. IDCAS, for its part, kept UNIDO informed of industrial development in the countries which it covered.

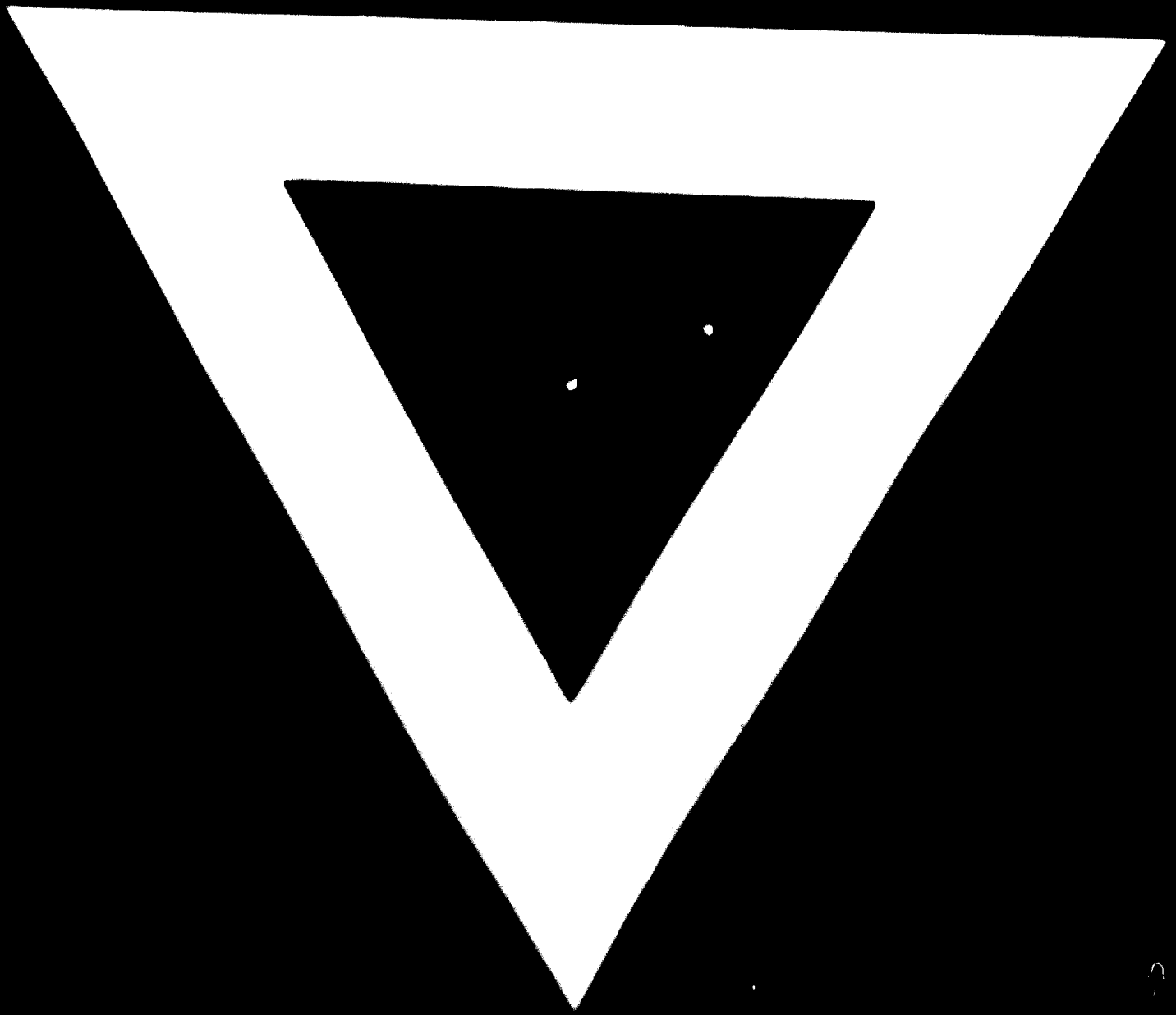
47. The Second Industrial Development Symposium for Arab States, which had been held in Kuwait, was a good example of the services which UNIDO could perform. A number of United Nations agencies had been requested to provide expert advice to the Arab States and to assist IDCAS in the implementation of its programmes, particularly in carrying out the recommendations of the Symposium, at which emphasis had been placed on the processing of raw materials for export in the form of manufactures or semi-manufactures.

48. While the results achieved through UNIDO/IDCAS co-operation were obvious, they should be evaluated in terms of the benefits obtained rather than the sums spent on projects. The efforts of the two organizations were a good example of co-operation between an intergovernmental and an international organization. IDCAS hoped that UNDP would increase its allocation to the SIS programme. UNIDO would then be in a position to extend its assistance to cover all the stages of project implementation.

The meeting rose at 5.30 p.m.







**19.7.74**