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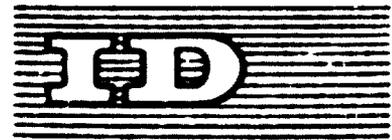
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Industrial Development Board

Sixth Session

Vienna, 23 May - 2 June 1972

SUMMARY RECORD OF THE ONE HUNDRED AND TWENTY-SIXTH MEETING

Held at the Neue Hofburg, Vienna,
on Wednesday, 31 May 1972, at 11.25 a.m.

President:

Mr. BRILLANTES (Philippines)

Rapporteur:

Mr. HAWISA (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.

PRESENTATION OF THE REPORT OF THE BOARD

1. Mr. HANISA (Libyan Arab Republic), Rapporteur, proposed that, in accordance with General Assembly resolution 2836 (XXVI) and Economic and Social Council resolution 1623 (LI), concerning documentation, statements made during the general debate which related to agenda item 6 should be summarized in the part of the report dealing with that item.

2. The PRESIDENT said that if there was no objection he would consider that the Board had adopted that proposal.

3. It was so decided.

4. Mr. STIBRAVY (United States of America) said that in resolution 2407 (XXIII) the General Assembly had asked the Industrial Development Board to include in its reports a summary of UNIDO's activities for the previous year. As a number of resolutions aimed at reducing the volume of documentation had been adopted since then, he proposed that the Industrial Development Board should ask the Assembly if it still wished to receive the summary.

5. The PRESIDENT said that that proposal would be taken into account in the Board's report.

OTHER BUSINESS

6. The PRESIDENT said that the General Assembly, in resolution 2824 (XXVI) on revision of the lists of States eligible for membership in the Industrial Development Board, had decided to include Bahrain, Bhutan, Oman, Qatar and the United Arab Emirates in list A of the annex to its resolution 2152 (XXI). He proposed that the Board should take note of that decision.

7. It was so decided.

MATTERS ARISING FROM THE CONCLUSIONS OF THE SPECIAL INTERNATIONAL CONFERENCE OF UNIDO (continued)

8. Mr. OLVER (Representative of the Administrator of the United Nations Development Programme) drew the Board's attention to the joint note by the Administrator of UNDP and the Executive Director of UNIDO on the guiding principles for the SIS programme. Negotiations between the two organizations on the matter had been time-consuming and difficult, and it was only in the last few days that a joint text had been adopted. At the beginning of the session UNDP and UNIDO had each proposed different

principles, which had been at variance on an important point, namely, the system for project approval, which was the subject of paragraph 5 of the joint note. The paragraph had been finally agreed upon following intensive discussions between the Executive Director of UNIDO and himself, acting for the Administrator of UNDP.

9. Why had it been so difficult for UNDP and UNIDO to agree on that point? To paraphrase Dickens, it might be said that, from the standpoint of multilateral assistance for development, the present period was "the best of times and the worst of times". It was the best of times because the international community at last had an integrated and co-ordinated system for development assistance. As a result of the Capacity Study, the consensus reached by the General Assembly and the establishment of the country programming system, UNDP was now the main instrument for development, combining both funding and programming activities, and was in a position to provide assistance exactly suited to the needs expressed by the recipient States.

10. It was the worst of times because there was a constant danger of going astray and upsetting the precarious balance of the system, given the complexity and diversity of the problems and interests involved and the pressures being exerted in opposite directions, and because of the risk of being distracted by questions of management, programming and evaluation instead of concentrating on operational activities. In addition, there was the agonizing question whether the international community would be in a position to continue to provide the resources required in order to maintain and increase its development aid. Since the Administrator of UNDP had assumed office, he had spent nearly a third of his time trying to get funds for the programme.

11. That was why the Administrator of UNDP set great store by the principle stated in paragraph 5 of the joint note. UNDP accepted that UNIDO had the central role to play in the United Nations family with regard to industrial development. UNIDO was in fact to execute the vast majority (over 90 per cent) of special industrial projects.

12. However, the Administrator of UNDP who, under the terms of the consensus, had "full responsibility for proper utilization of funds of the Programme", could not accept a situation in which he was unable to discharge that responsibility fully.

While he recognized the importance of co-operating with UNIDO in all matters relating to SIS projects, he nevertheless believed that it might sometimes be necessary to make special arrangements and entrust the execution of some SIS projects to organizations other than UNIDO. The introduction of new programming procedures meant that old ideas must be reviewed and a new approach adopted.

13. The view seemed to be held in some quarters that UNDP and UNIDO were competing against each other. That was not so. The losers in any dispute of that kind would be the developing countries and both UNDP and UNIDO were determined to prevent that from happening.

14. The Administrator of UNDP hoped that the joint note would be useful to the Industrial Development Board, the Governing Council of UNDP, the Economic and Social Council and the General Assembly when they dealt with the question of the SIS programme. The Administrator of UNDP and the Executive Director of UNIDO considered that the principles contained in the note might provide a basis for the arrangements of a more detailed and a more technical nature to be adopted in the coming weeks.

15. He thanked the Executive Director for his frank and forthright approach during the negotiations.

16. Mr. ABDEL-RAHMAN (Executive Director) said that he had listened with great interest to the statement made by the representative of UNDP. He would not, for the time being, present UNIDO's viewpoint in such detail. In his view the SIS programme was one form of effective multilateral assistance in the field of industry. He would continue, in the months to come, his attempts to solve pending questions in co-operation with the Administrator of UNDP or his representative. The second sentence of paragraph 5 of the joint note represented the best formulation of the conditions for the solution of the remaining problems, but it did not provide the solution itself.

17. The Industrial Development Board, the Governing Council of UNDP and the General Assembly were no doubt aware of the difficulties which secretariats encountered in their attempts to establish working relationships between organizations. Texts and directives in that connexion were less important than a spirit of mutual understanding and confidence. He therefore hoped that the States participating in the activities of UNDP and UNIDO would support the efforts of the two organizations to establish a satisfactory relationship.

18. He recognized that the work of the UNDP Administrator had been complicated by the fact that he had only recently taken up his post, at a time when the situation of the international organizations was particularly difficult. He also recognized that UNDP had had to deal with some difficult problems because of its reorganization and the adoption of country programming. He was grateful to the UNDP Administrator for having pursued the negotiations despite all the difficulties. UNIDO, too, was prepared to pursue the discussion in a frank and open manner, and hoped that it could count on the co-operation and understanding of all the parties concerned.

FINANCIAL AND ORGANIZATIONAL MATTERS (ID/B/97 (Part I), ID/B/99, ID/B/103, ID/B/105; ID/B/L.114)

19. The PRESIDENT invited the members of the Board to consider agenda item 8, and drew particular attention to paragraphs 21 and 22 of document ID/B/99, on which the Board was required to take a decision.

20. Mr. STIBRAVY (United States of America) said that his delegation in general supported the programme proposed in document ID/B/99, particularly paragraph 18, which stated that the Secretariat intended to make a limited appropriation from the regular programme for the purpose of trying out new ideas and methods.

21. At the fifth session the United States delegation had supported recommendations by the Secretariat on the lines of those in paragraphs 21 and 22 of document ID/B/99. However, in recent months the United States had changed its policy on the financing of the technical assistance programmes of the United Nations and the specialized agencies. The President of the United States, in explaining the policy adopted by his country for the 1970's, had said that the system applied thus far was no longer justified since the establishment of UNDP, and that the costs of country projects should in some cases be met by voluntary contributions. It was for the donor countries to decide on the amount of resources that they intended to allocate to such programmes.

22. During the negotiations on budgetary matters that had recently taken place in New York, the United States representative had expressed the view that part VI should be removed from the United Nations budget; since, however, it was not certain that all the elements of that part could be transferred to and financed by UNDP, the

United States delegation would wish to examine the question more closely; nevertheless, he had announced that the United States Government intended to ask Congress for an increase in the contribution to UNDP, which would more than cover the amount of the present contribution of the United States to part VI of the United Nations budget.

23. The United States delegation was therefore unable to support the proposal in paragraphs 21 and 22, and would have to abstain from voting on it.

24. Mr. GULOWSEN (Norway) said that the three Nordic members of the Board were prepared to support the Executive Director's proposal for an appropriation of US\$1.5 million under section 14 in part VI of the regular budget of the United Nations for the year 1973.

25. During the current negotiations in New York aimed at solving the financial difficulties of the United Nations, it had been proposed that the appropriations under part VI of the regular budget should be transferred to UNDP. If that proposal was accepted, the Executive Director's recommendations would have to be changed. The Nordic countries would accept the transfer, but on the condition that UNDP would be given an amount equal to the part VI appropriation in addition to the normal UNDP contributions. That additional contribution would mean a higher yearly rate of increase in the programme than that already agreed on by the Governing Council.

26. Should the transfer take place, it would not imply any change for UNIDO since the amount of US\$1.5 million previously allocated to it from the regular budget of the United Nations would henceforth come from UNDP. It was important, however, that the use of that amount should be closely related to the country programmes of UNDP.

27. Mr. Manol POPOV (Bulgaria), referring to table 4 in document ID/B/97 (Part I), drew attention to the number and cost of the projects executed in 1971 by each of the three substantive divisions of UNIDO. In view of the fact that the Industrial Technology Division alone executed, in value, some 50 per cent of UNIDO projects with a staff about the size of that of the other two divisions, consideration ought perhaps to be given to the possibility of increasing its staff.

28. With regard to UNIDO's efficiency, he felt that a comparison of total expenditure on technical co-operation and the Secretariat's operating expenses for the three years 1971, 1972 and 1973 would yield what might be called an "efficiency index" for the Organization. For every dollar spent by the Secretariat, the amount of assistance provided by the Organization had been US\$1.38 in 1971 and was expected to be US\$2.28 in 1972 and US\$3.70 in 1973. His delegation was satisfied at the progress made but would ask the Secretariat to inform it of the measures taken and envisaged in order to achieve a marked improvement. The best way to do so might be to maintain the staff of the administrative services at its present level, or even to reduce it, and to increase that of the substantive divisions.

29. On the question of staff, he referred to table 1 in document ID/B/105 and table 6 in document ID/B/103 and noted that the increase envisaged in the number of staff members in the Professional and higher categories between 1971 and 1973 was only seven, which was in accordance with the economy measures decided upon by the Secretary-General. However, an analysis of table 6 and the subsequent tables raised doubts whether the staff of UNIDO was distributed in a rational way. UNIDO employed a total of 310 staff members in the Professional category, of whom 51 per cent worked in the three substantive divisions, 11 per cent in the Technical Co-operation Division and 31 per cent in the Division of Administration. While the latter performed essential duties, such as recruiting experts, the question arose whether the volume of technical assistance justified its present number of posts. His delegation was of the view that the number of officials in the Division of Administration should be reduced and that its methods of work should be streamlined.

30. In conclusion, he pointed out that the expenditure of the Technical Equipment Procurement and Contracting Office (TEPCO) had risen considerably between 1969 and 1971. As its activities could be expected to increase further, he asked the Secretariat to submit to the Board at its next session a comparative evaluation of the effectiveness of the contracting system, on the one hand, and the use of individual experts, on the other, in order to enable the Board to lay down future guidelines for those two types of technical assistance.

31. Mr. PREISZ (Hungary) noted with satisfaction that UNIDO's budget for 1973 had been held at about the same level as for 1972. According to document ID/B/103, the increase of US\$710,000 in the 1973 budget compared with that for 1972 was due to

recent changes in exchange rates and rises in the cost of living. However, it appeared possible to achieve savings in some chapters. The volume of documentation could be reduced; for example, it was not necessary to repeat the tasks of the various divisions of UNIDO in the budget document. Again, there could be a reduction in expenditure on temporary assistance and overtime. In addition, an effort could be made to link official travel with travel on home leave. The distribution of staff members in the Professional category among the various divisions of UNIDO did not appear satisfactory. Table 6 in document ID/B/103 showed that the three substantive divisions had a total of 158 staff members in the Professional and higher categories, while the other divisions and departments had 132. Steps should therefore be taken to ensure a better distribution of staff, in favour of the three substantive divisions.

32. Referring to document ID/B/105, he noted that the Secretary-General wished to ensure widely representative geographical distribution within the UNIDO Secretariat. Yet the figures given in the document showed that at the end of 1968 57 per cent of staff in the Professional and higher categories were from the Western countries and that by the end of 1971 the percentage had risen to 60.2. At the same dates the figures for nationals of socialist countries had been 16.2 and 14.9 per cent, respectively. At the end of 1968, 62 per cent of higher-level posts had been held by nationals of developed Western countries, and at the end of 1971 the figure had been 62.9 per cent; during the same period the percentage for the nationals of socialist countries had fallen from 15.6 to 9.7. Although the Secretariat's attention had repeatedly been drawn to the need to observe the principle of equitable geographical distribution, those figures showed that the situation in that respect had not developed in a satisfactory way.

33. The Hungarian delegation noted with satisfaction that UNIDO was now responsible for recruiting and appointing its project personnel, as indicated in paragraph 10 of document ID/B/105. That procedure was in accordance with Hungary's view that UNIDO should be given greater autonomy.

34. Mr. HUSSAIN (India) said that by studying the budget of an organization one could gain an idea of the rate at which its activities were expanding. In that respect, UNIDO's budget was far from satisfactory. The resources of the General Trust Fund, which could be put to extremely good use, were inadequate. The funds available to the Organization were insufficient to enable it to cope with the needs

of developing countries eager to progress towards industrialization. The paucity of resources could be attributed to two factors: on the one hand, some countries preferred to contribute to UNDP and on the other, some contributions were paid in non-convertible currencies. It was, therefore, essential to find means of increasing the Organization's resources. In particular, UNDP should increase its allocations to UNIDO's programme. The use made of funds available should be studied carefully; for example, higher priority should be given to regional programmes and efforts made to ensure that the programmes selected really did contribute to the industrial development of the developing countries. Particular attention should be given to small-scale industries, which had an important role to play in the early stages of industrialization.

35. Document ID/B/L.114 outlined the very apt recommendations submitted by the Secretary-General concerning the procedure to be adopted for the six-year planning cycle and the two-year budget cycle. The budget could thus be based on the objectives set and at the same time reflect the results achieved. In view of the problems raised by the use of funds left unspent at the end of a financial year, the establishment of a two-year budget cycle should facilitate programme execution. The Executive Director had drawn attention in that document to the problems which the UNIDO Secretariat would encounter when putting the procedure recommended into effect; those problems did not, however, appear to be unsurmountable. His delegation therefore endorsed the Secretary-General's recommendations and the explanations given by the Executive Director on the subject.

36. Mr. ZODDA (Italy) observed that the budget estimates for 1973 (ID/B/103) appeared to have been prepared with an eye on the current financial situation of the United Nations. Appropriations would increase by US\$700,000 - a relatively modest sum by comparison with previous years.

37. His delegation had noted the various items for which funds were requested in the budget estimates, but wished to draw particular attention to the expenditure on general administration and staff. It believed that the main emphasis should be on operational activities, which were UNIDO's reason for existence and were of tremendous importance to the developing countries. A correct distribution of resources was all the more important in view of the financial crisis facing the United Nations. It was therefore a welcome fact that the proposed increase in staff costs was limited to adjustments resulting from increases in the cost of living and variations in certain rates of exchange.

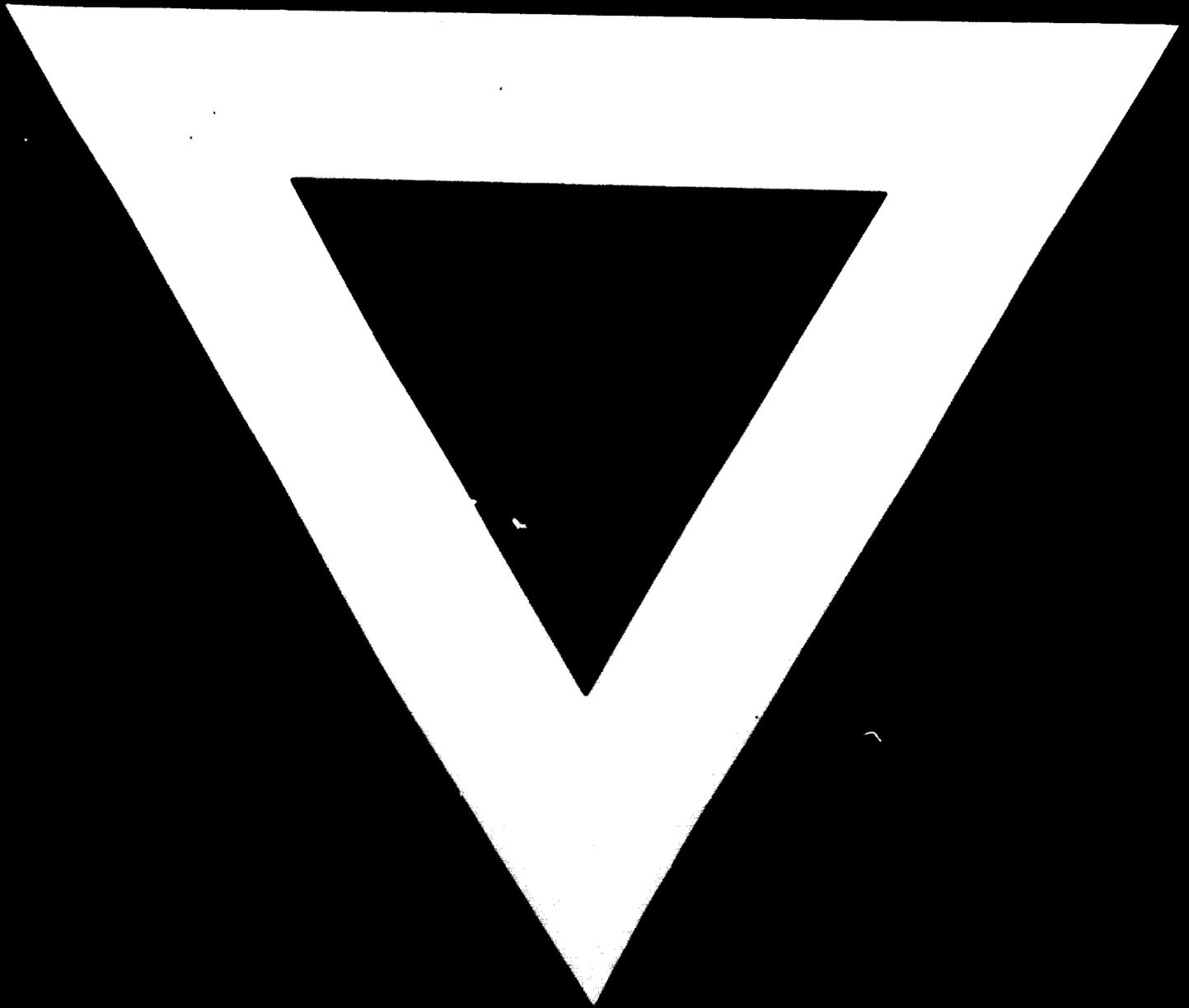
38. Referring to table 2 of the budget estimates, he expressed surprise that 57 Professional posts and 213 General Service posts were expected to be financed from extra-budgetary resources in 1973. As various delegations had pointed out during earlier meetings, UNIDO should make the best possible use of available staff so that it could concentrate its efforts on specific priorities which were generally accepted.

39. Mrs. LUDUC (France) observed that the Board's work was not made easier by the fact that every year it had to adopt the budget estimates for the coming year in the spring, whereas the General Assembly did not approve them until November or December.

40. Noting that UNDP supplemented the financing of UNIDO's operational projects by allocating overhead funds representing 13 per cent of the estimated cost of those activities, he asked the Executive Director whether the UNDP Governing Council was intending to raise that percentage at its next session, thereby increasing the resources available to UNIDO. UNDP had made the sum of \$1,850,000 available to UNIDO for 1970, but actual expenditure had amounted to only \$1,144,000. What was the reason for that discrepancy? Furthermore, since allocations for operational activities were expected to amount to \$30 million in 1973, he wondered whether the 13 per cent to which he had referred, i.e. \$3.9 million, had been incorporated in UNIDO's budget. Moreover, was it possible to distinguish between operational projects which were covered by that percentage and those that were not? If more was known about such financial details, it would be possible to make better use of the budget estimates to provide the General Assembly with better information.

The meeting rose at 1 p.m.





19.7.74