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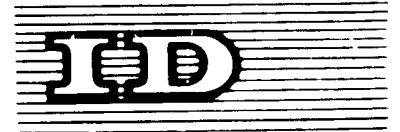
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Agenda item 5 (b) IV

CONCERTED ACTION AND SPECIAL MEASURES TO ACCELERATE THE
INDUSTRIAL DEVELOPMENT OF THE LEAST DEVELOPED,
LAND-LOCKED AND ISLAND DEVELOPING COUNTRIES

Report by the Executive Director

060570

Explanatory notes

References to dollars (\$) are to United States dollars, unless otherwise stated.

The following abbreviations are used in this report:

IDCAS	Industrial Development Centre for Arab States
IPF	Indicative Planning Figure
ITC	International Trade Centre
LDCs	Least developed countries
SIDFA	Senior industrial development field adviser
UNCTAD	United Nations Conference on Trade and Development
UNIDF	United Nations Industrial Development Fund

SUMMARY

This report describes the progress made by the United Nations Industrial Development Organization since the Second General Conference of UNIDO (Lima, 12-26 March 1975) in implementing the main resolutions adopted by the international community with regard to special measures in the field of industrialization to be taken in favour of the least developed countries. It also draws attention to the special problems faced by the land-locked and island developing countries. As called for by General Assembly resolution 32/163 of 19 December 1977, the report focuses on UNIDO operational activities in favour of the least developed countries and highlights the main areas and types of assistance UNIDO is providing to these countries. Reference is also made to the constraints encountered by the Organization, consisting mainly of the inadequacy of financial resources in implementing special measures for the benefit of the least developed, land-locked and island developing countries.

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Introduction

1. There is now world-wide recognition that the least developed countries (LDCs) present problems that require special measures if they are to attain an acceptable level of economic development. That industry is a dynamic instrument essential to the rapid economic and social development of the developing countries - and in particular of the LDCs - is also widely recognized. General Assembly resolutions 3201 (S-VI) and 3202 (S-VI) on the Declaration and Programme of Action on the Establishment of a New International Economic Order and the Lima Declaration and Plan of Action on Industrial Development and Co-operation (ID/CONF.3/31, chap. IV)^{1/} have emphasized that industrialization in these countries must take place at a more rapid pace than the average. They have pointed out that concerted action and special measures of assistance from other countries and international organizations are necessary to mobilize a greater volume of resources to launch innovative projects in these countries and to lay a sound basis for their industrialization.

2. In its resolution 32/163 on the strengthening of operational activities in the field of industrial development in the least developed among developing countries the General Assembly requested the United Nations Industrial Development Organization (UNIDO) to intensify its activities concerned with implementing the special measures adopted to assist these countries and to devote the maximum resources possible to meet their needs; it urged the Industrial Development Board to allocate a sizeable sum from the United Nations Industrial Development Fund (UNIDF) for that purpose, taking into consideration General Assembly resolution 31/202.

3. In its resolution 33/78, the General Assembly requested the Executive Director of UNIDO to prepare a report on the implementation of resolution 32/163 for consideration at the Third General Conference of UNIDO.

^{1/} Transmitted to the General Assembly by a note by the Secretary-General (A/10112).

4. The Lima Declaration and Plan of Action (para. 62) also recommended that special aid be given to the land-locked and island developing countries, to help offset the disadvantages of their adverse geographic situation, particularly with regard to the additional transport and transit costs that they had to bear.^{2/}

5. The present report, therefore, deals with the progress achieved with regard to the implementation of the main provisions of the above-mentioned resolutions.

I. PROGRESS MADE IN IMPLEMENTING VARIOUS RECOMMENDATIONS

Institutional arrangements and promotional activities

6. In pursuance of the resolution adopted by the Second General Conference of UNIDO on appropriate institutional machinery (ID/CONF.3/RES 1), the Least Developed Countries Section was established in the reorganization of the UNIDO secretariat that took effect on 1 January 1976. As part of the policy co-ordination programme, the LDC Section assists in formulating policies and technical co-operation programmes for the countries concerned and in mobilizing financial resources to further the industrialization of these countries. The Section also monitors activities throughout the secretariat that are designed to benefit the LDCs to ensure that they shall form an integrated whole.

7. One of the first initiatives taken by the LDC Section, in co-operation with other units of the secretariat, was to organize the Intergovernmental Expert Group Meeting on the Industrialization of the Least Developed Countries, held at Vienna from 15-24 November 1976. Among the participants were 26 senior officials from 20 LDCs, representatives of public financial institutions and representatives of United Nations agencies. On the basis of the recommendations of this meeting,^{3/} a programme of technical assistance for

^{2/} Transmitted to the General Assembly by a note by the Secretary-General (A/10112).

^{3/} See the report of the meeting (ID/WG.234/13).

these countries was prepared, the goal of which was to provide pilot plants and production units using available natural resources, particularly agro-based industries. The programme places special emphasis on rural development through promotion of small-scale industries and establishment of training facilities with multiplier effects. Several specific projects emanating from this programme are at various stages of implementation.

8. To assist the least developed African countries and strengthen their industrial infrastructure, UNIDO organized in November 1978 an Expert Group Meeting at Arusha^{4/} (United Republic of Tanzania) for an exchange of experience on common problems in this field. The meeting formulated recommendations for further action by UNIDO and the Governments concerned.

9. Mention may also be made of the expert group meeting organized by UNIDO in December 1978 at Vienna to discuss problems involved in the preparation and follow-up of feasibility studies for industrial projects in the LDCs. The views expressed at this meeting are of considerable value to UNIDO in planning new assistance activities in this area.^{5/}

10. Contacts were initiated with various donor countries, through the permanent missions to UNIDO, to obtain information on their existing and planned bilateral assistance for the industrial development of the LDCs. With the aid of this information, the secretariat has been able to identify potential areas of co-operation between UNIDO and donor countries in providing further technical assistance to the LDCs. Some Governments have already co-operated with UNIDO in implementing specific projects in certain LDCs.

11. In the interest of co-ordinating programmes with other parts of the United Nations system and with the aim of identifying areas where joint provision of assistance to the LDCs is desirable, contacts were made with the Economic Commission for Africa (ECA), the United Nations Conference on Trade and Development (UNCTAD), the International Labour Organisation (ILO)

^{4/} See the Report of the Meeting (ID/WG.280/17).

^{5/} See the Report of the Expert Group Meeting on Evaluation and Follow-up of Feasibility Studies in Selected Least Developed Countries, Vienna, 4-8 December 1978 (ID/WG.289/10).

and the Food and Agriculture Organization of the United Nations (FAO). As a result, UNIDO has acted jointly with these agencies in organizing programming missions and implementing specific projects. The most recent example is the multidisciplinary mission (UNIDO/UNCTAD/ITC) to formulate a programme of assistance to the Great Lakes Community (Burundi, Rwanda and Zaire) to be financed by the United Nations Development Programme (UNDP). Together with other United Nations organizations, UNIDO is also participating in ad hoc meetings organized within the existing United Nations machinery for interagency affairs to provide an exchange of information and views on their programmes and activities in favour of the LDCs.

Programming and delivery of technical assistance
under various sources of financing

12. According to a Note issued by UNCTAD in 1978 (TD/B/AC.17/7), the real per capita gross domestic product of the LDCs during the 1960s grew at a rate of only 0.9 per cent per annum. Between 1970 and 1977 the group as a whole grew at an even lower average rate (0.6 per cent), and 11 of these countries experienced an actual decline during the 1970s. This will surely lead to the conclusion that the creation, development and diversification of industrial production facilities to expand both internal and external markets is the only way of ensuring equitable participation by the least developed countries in world production and in the exchange of goods and services, as required for the establishment of a new international economic order. Mention should also be made of the current extremely high dependence of the LDCs on external assistance, which is mainly the result of their very low levels of production. Therefore the activities of UNIDO in relation to any LDC have the aim of promoting an integrated industrialization process, based on the country's potential and reflecting the wishes, policies, plans and priorities of its Government, with the object of achieving the highest degree of interaction between industry and the other sectors of the economy. Given their present level of development, the priority areas for financial and technical assistance seem to be agriculture, infrastructure and industrial development,

in that order. One of the most pressing needs of these countries is also to develop manpower with varying degrees of managerial, vocational and technical qualifications for positions at different levels and grades from top to bottom. UNIDO activities in these countries have concentrated on such priority areas.

13. In the agro-industries sector, UNIDO has concentrated on rendering assistance to promote the development of industries with forward and backward linkage possibilities both at the national and the regional levels. The activities in this area cover a wide range of industrial subsectors, such as leather and leather products, wood-processing and wood products, textiles and food processing.

14. In the leather and leather-products subsector, for example, a large-scale project to be financed through UNDP/country IPF was developed in Bangladesh, which has an adequate supply of the necessary raw materials. This project, which is now being considered by the Government for final approval, is designed for the production of not only leather but also finished leather goods for both domestic and export markets. In Botswana, a feasibility study for the establishment of a protective leather clothing and footwear industry is being implemented.

15. In wood processing, UNIDO continues to provide assistance to those least developed countries that are endowed with rich forest resources and where the advantages of domestic processing of their raw materials are gaining increasing recognition. Management and production assistance have been provided, for example, to a government plant in the Lao People's Democratic Republic that is expected to become the focal point for the long-term development of an integrated woodworking industry in the country. Assistance was also given to Samoa for the establishment of a match factory following a feasibility study undertaken earlier with the help of UNIDO. Assistance in the preparation of feasibility studies was also given to the Governments of Afghanistan and Bangladesh for the establishment of local facilities for producing certain wood products such as matches (Afghanistan) and doors and windows (Bangladesh).

16. In the textile industry, UNIDO is assisting, among others, the Governments of Bangladesh and the United Republic of Tanzania in establishing production and other related facilities. The goal of the projects being developed in these countries is to satisfy basic needs of the population.

17. The interest of LDCs in an integrated approach to the development of their food-processing industries has continued to grow in recent years, an approach that may lead to increased food production, reduction of post-harvest losses and stimulation of rural development. In close collaboration with FAO at both headquarters and field levels, UNIDO assisted Nepal and Sudan in introducing this approach. Based on a feasibility study prepared with UNIDO assistance, a project is being developed in Mali for the establishment of a cashew nut factory. For the same country, a new type of project, involving mobile mini processing units, is being developed for processing the country's fish and vegetable surpluses. The Government of the Upper Volta has requested UNIDO assistance in establishing a multipurpose oilseed processing factory and a maize agro-industry complex. UNIDO is also assisting the Government of Cape Verde in developing a project to establish a demonstration plant to produce macaroni and other cereal products. The implementation of the project will lead to the utilization of the available milling capacity and help to improve the nutritional content of the diet of the local population.

18. Another area closely related to the development of the food industry is the establishment of food testing and quality control laboratories. An exploratory mission was sent to four LDCs (Burundi, Democratic Yemen, Somalia and the United Republic of Tanzania) to collect the necessary data with a view to formulating an appropriate programme of assistance in this field.

19. The development of the local manufacture of industrial goods (simple tools and implements, manufacture of low-cost farm and agricultural workshop equipment etc.) as inputs into the agricultural sector also continues to be given priority. UNIDO field activities for the least developed countries in this area are complemented by other activities being undertaken by the secretariat within the framework of the Co-operative Programme of Action on Appropriate Industrial Technology (ID/B/188 and ID/B/207). Among the examples

of UNIDO assistance in this area, the following may be mentioned: the centre for technology promotion, agricultural tools and machinery being developed in Haiti; the central workshop for maintenance and repair of farming and industrial equipment in the Niger; and the feasibility study on maintenance of agricultural tractors and other heavy mobile equipment being undertaken in the Upper Volta. Also worth mentioning is the project for consolidating village production of agricultural implements by local blacksmiths in the United Republic of Tanzania. The goal of the project is to provide effective services to rural industries and strengthen the use of appropriate local technologies with backward linkage to agriculture.

20. UNIDO has placed further emphasis on activities designed to assist the least developed countries in establishing or strengthening appropriate institutional infrastructure for their industrial development. Examples of current UNIDO projects in this area are: the setting up of an industrial promotion bureau in Chad; the establishment and operation of an industrial promotion and advisory unit in Yemen; the establishment of industrial consulting services in Democratic Yemen; and the assistance rendered for the promotion of industrial activities (including planning and the preparation of feasibility studies) in Benin, Burundi, Central African Empire, Haiti, Mali, Rwanda and Upper Volta. In the Niger, a UNDP/IPF-financed project is being developed to assist the newly created "Office de promotion de l'entreprise Nigérienne" (OPEN), which will also receive assistance from the World Bank. Assistance is being provided to Ethiopia, Mali and Upper Volta in standardization, metrology, testing and quality control.

21. With a view to assisting LDCs to utilize their existing industrial facilities more effectively, UNIDO has also devoted major attention to assisting these countries in such areas as management, accountancy, staff training and maintenance and repair programmes. In Guinea, for instance, UNIDO is currently implementing a pilot centre for the maintenance and repair of industrial equipment. Assistance has also been given through a large-scale UNDP-financed project to the Bangladesh Jute Technological Research Centre, with a view to developing the Centre's capability to undertake applied research,

increasing its technical facilities and promoting a mutual relationship between it and the Bangladesh jute industry. Similar assistance is being given to the Afghan Institute of Management with a view to upgrading managerial skills and improving production facilities. In Ethiopia, the assistance of a UNIDO consultant was made available to the Addis Ababa cement plant. The plant's output is reported to have risen by 40 per cent as a result, and the Government has therefore decided to establish new cement plants in the near future.

22. Many least developed countries are interested in obtaining UNIDO assistance in preparing prefeasibility or feasibility studies for the identification, evaluation and selection of industrial projects and the promotion of export-oriented industries. UNIDO assistance to the Tanzanian National Development Corporation is a notable example in this respect. Another example is the assistance being given to the Niger-Nigeria Commission for Economic Co-operation in the preparation, evaluation and implementation of agro-industrial projects of interest to both countries. Mention may also be made of the industrial promotion project being executed in Haiti.

23. The development of building materials industries is, of course, of great importance to the least developed countries. In this field, UNIDO is providing assistance for the production of bricks and tiles in Gambia, Guinea and Upper Volta; concrete and cement in Burundi, Mali and Upper Volta; clay products and non-metallic materials in Botswana; and hand-moulded bricks in Malawi. Similarly, a UNDP-financed project will help Bangladesh in developing small-scale ceramic industries based on local raw materials and employing relatively unskilled labour. In the Upper Volta, a pilot demonstration plant is being implemented involving composite plastics housing technology for the production of roof units for public buildings such as schools and dispensaries. It should also be mentioned that the preparatory phase of a project on integrated development of natural building stone in Haiti was completed in 1978.

24. In the area of industrial training, UNIDO activities included, in particular, the organizing of group training programmes for technical and

managerial staff, selected by the Governments concerned, from the industrial sectors of various LDCs. Assistance was also given in the form of industrial training advisers assigned to some of these countries. For example, a successful training programme on production management and product quality in the textile industry was organized in Bamako, Mali, for several French-speaking least developed countries in Africa. The programme was prepared and conducted with the help of four experts from the Centre for Research in Production Management of the Louvain University, Belgium, and the International Centre for Management Development (CEPECA), Romania. Similarly, UNIDO undertook preparatory work in training advisers in Burundi, United Republic of Tanzania and other least developed African countries, which is expected to result in new training programmes. In addition, UNIDO has continued to provide individual fellowships and to organize study tours for candidates submitted by various LDCs.

25. In other areas, UNIDO was involved in providing assistance to a number of LDCs located in the Sudano-Sahelian zone, particularly with regard to waste management, the utilization of non-conventional sources of energy and the utilization of plastics in agriculture. In the Upper Volta, UNIDO provided assistance to the Government in establishing a permanent centre concerned with the use of plastics in agriculture, a project likely to bring to the local farmers the benefits of plastics technology. The project, financed through a special-purpose contribution by the Federal Republic of Germany, also covers the conversion of an existing shed into a suitable building for the centre. In the field of solar energy, assistance was provided to the National Laboratory for Solar Energy in Mali, and an exploratory mission was undertaken in the Upper Volta to determine the form of assistance the country needed for producing simple solar energy units. UNIDO is organizing a demonstration project in co-operation with the Government of India to introduce and disseminate biogas technology in the Upper Volta. A similar project, financed by UNIDO, but which also includes examination of possibilities for solar energy utilization, has been approved for implementation in Afghanistan.

UNIDO is also co-operating with the United Nations Environment Programme and the United Nations Sahelian Office within the framework of the Working and the Consultative Groups on Desertification in implementing the Plan of Action to Combat Desertification.^{6/}

26. Since the foundry industry, which requires relatively little investment, can have a considerable effect on a country's industrial advancement, UNIDO has continued to devote attention to the development of foundries and the establishment of demonstration plants and centres, especially in the least developed countries. Assistance provided to Somalia's foundry and mechanical workshop, for instance, helped to supply the local market with engineering parts and products. Follow-up assistance is envisaged, to improve the quality of the casting and to widen the range of products, particularly agricultural equipment and tools. A similar large-scale project is at the initial stage of implementation in Nepal.

27. In addition to the traditional technical assistance activities, new programmes and projects have been initiated and developed with regard to the utilization of locally available natural resources, both agricultural and mineral. Following the first consultation meetings organized by UNIDO on agro-industries and fertilizers, investigations were carried out in most of the LDCs with a view to formulating and implementing specific projects in these branches of industry. Such studies, covering leather and leather products, vegetable oils and fats and local production of fertilizers or the establishment of bulk blending/bagging plants based on imported fertilizers, have already lead to tangible results. In Bangladesh, for instance, a large-scale UNDP/IPF-financed project has been prepared for implementation that will help to improve existing facilities and expand the local production of fertilizers.

^{6/} United Nations Conference on Desertification; Round-up, Plan of Action and Resolutions (United Nations publication, No. CESI.E52, March 1978).

28. Action has been taken with regard to the utilization of locally available medicinal plants and the establishment of pharmaceutical and essential oil industries. A study on the production and conditioning of pharmaceutical products in a tropical climate was completed in Chad. A mobile demonstration unit, arranged through the Joint UNIDO/Romania Centre, visited Afghanistan and Nepal to demonstrate the feasibility of producing some pharmaceuticals by using available medicinal plants. The scheme was so successful that small production units or pilot plants are expected to be established in both countries. Similar schemes are being arranged for Burundi and other least developed countries in Africa where the necessary raw materials are readily available. In Guinea, for instance, where assistance is already being given in setting up a central laboratory for vegetable and essential oils, the Government, with UNIDO support, is giving serious consideration to the local production of certain medicaments. A draft project document on establishing a pilot plant for processing essential oils has been prepared and is now under active consideration by the Government of Bhutan. Plans for establishing a regional pharmaceutical centre in Africa, equipped with pilot plant units to train African personnel, are in an advanced stage.

29. Among other developments, mention may be made of the increased number of senior industrial field advisers (SIDFAs) now located in the least developed countries and whose presence there will contribute substantially to the improvement of the co-operative relationship UNIDO enjoys with the countries concerned. Six SIDFAs are now located in least developed countries, compared with two in 1976. There are also five junior professional officers (JPOs) located in LDCs.

30. On the basis of the recommendations in the Lima Declaration and Plan of Action, a preliminary survey was undertaken in early 1977 in several land-locked and island developing countries to assist UNIDO in initiating a special programme of technical assistance for this category of country. The emphasis was put on the development of suitable export and import substitution industries in order to minimize the additional transport and transit costs

that the land-locked and island developing countries have to bear. A number of country projects formulated on that occasion are under implementation (in Mauritius, Rodrigues Island, Mongolia etc.). However, unless they are LDCs, the land-locked and island developing countries are treated like other developing countries and assisted under the traditional sources of financing. It may be recalled that, except for a rather small portion of the recently established UNIDF that refers to the least developed, land-locked and island developing countries together, no special funds have been earmarked for the sole benefit of the land-locked and island developing countries. Therefore, UNDP funds (IPF) remain the major source of financing industrial projects in these countries.

31. In financial terms the delivery of technical assistance to the least developed countries showed further improvement in 1978 compared with previous years. For example, under the UNIDO regular programme, the total delivery as of 31 December 1978 amounted to \$789,067 as compared with \$184,000 in 1975, \$297,000 in 1976 and \$734,000 in 1977. Under the Special Industrial Services Programme (SIS) and the UNDP special measures fund, total delivery in 1978 was around \$1.6 million compared with \$687,000 in 1975, \$1.4 million in 1976 and \$1.7 million in 1977. (The apparent decline between the 1978 and the 1977 figures is due to the deliberate phasing-out of the special measures fund, which accounted for some \$797,000 in 1977 and \$384,000 in 1978. The SIS share of technical assistance delivery was \$918,000 in 1977 and \$1.2 million in 1978). The total delivery to these countries, under all sources of financing, including UNDP/IPF, amounted in 1978 to \$12.8 million, compared with \$4.7 million in 1975, \$6.9 million in 1976 and \$7.5 million in 1977. In real terms, the increase of UNIDO technical assistance delivered to the LDCs in the period 1974-1978 was 120 per cent as against an increase in the technical assistance delivered to all developing countries of about 50 per cent. Technical assistance to the LDCs in 1978 represented more than 50 per cent of UNIDO assistance to all developing countries in 1974 and 23.3 per cent of total assistance in 1978.

32. Effective utilization of the financial resources available for programming technical assistance to the least developed countries within the United Nations system, including the UNIDF, which became operational in 1978, was one of the major preoccupations of the UNIDO secretariat. The total value of approved projects in 1978 from all funding sources amounted to approximately \$17.7 million, reflecting an increase of 36.4 per cent over the total value of projects approved in 1977. Out of this total, \$11.0 million referred to 28 UNDP-financed projects, the dollar value reflecting an increase of 31.5 per cent compared with 1977. This increase resulted from, among other things, a more active participation of UNIDO both in country programming and in formulating individual projects. As regards the UNIDF, 34 projects, valued at \$2.3 million, were approved by the end of 1978. This share represented more than the 9 per cent indicative allocation established by the Industrial Development Board when it approved the initial programme of activities for 1978 to be financed under the UNIDF (ID/B/C.3/60 and Add.1).

II. STRENGTHENING THE CAPACITY OF UNIDO TO DEAL WITH THE SPECIAL PROBLEMS OF THE LEAST DEVELOPED, LAND-LOCKED AND ISLAND DEVELOPING COUNTRIES

33. Although the amount of technical assistance delivered to the least developed countries showed a considerable increase during the post-Lima period, the discrepancy between the needs of these countries and the meagre resources made available to UNIDO to meet such needs cannot be ignored. Unquestionably, the basic role in accelerating economic growth and reducing the development gaps must be assigned to each developing country, to its own efforts, and primarily to long-term allotment of an important portion of its national income to productive investments. However, expanded international co-operation, together with national efforts, external financial and technical assistance and enlarged economic ties with other developing countries is extremely important in speeding up the socio-economic progress of the least developed countries. It is to be noted, in this context, that

it will be virtually impossible for the least developed countries to make any substantial progress if they have to rely entirely on their own human, physical and financial resources.

34. The least developed countries face difficulties of a special kind and intensity, and they need help specifically designed to deal with their problems. Only one in seven families in these countries draws its livelihood from outside agriculture, which itself is rather inefficient and lacks immediate prospects for improvement. There are also very poor communications with the outside world, and alternatives to the rural subsistence way of life hardly exist. The national markets are too small to attract foreign investors, and the capacity to absorb technological advance is extremely low, in part because of educational difficulties. It is, therefore, very difficult to find locally the capital, purchasable inputs, training, transport and other related facilities essential to increase agricultural productivity and to promote industrialization. At the same time, prospects for the rapid economic growth of these countries have diminished as a result of the economic recession in most industrialized countries, recent developments in the world energy market and renewed concern over the world food situation.

35. The need has been expressed in various United Nations forums to design new policies and programmes that will directly benefit those groups of the population that seem to have been bypassed by the pattern of economic growth hitherto followed. The basic idea is to draw wider segments of the population into the modernization process, which will lead to higher incomes for these groups and thus to a more equal internal income distribution. In this respect, UNIDO and other United Nations agencies can assist by improving the available technologies of small-scale village industries and by helping to improve the methods of bringing to the village craftsman and potential entrepreneur the knowledge, facilities and resources that will help him to play his part in the process.

36. An important role for the external aid to the least developed countries is to create favourable conditions for the effective use of assistance; at

least in the first stages, any programme of intensified assistance must consist to a large extent of technical co-operation to improve the quality and scope of planning. Even where development plans exist, well-formulated projects and the machinery to implement them may be lacking. Aid is also needed to carry out basic surveys of the potential of the countries concerned. In general, opportunities to provide more and better directed financial and technical assistance must be sought; and, to this end, it is hoped that the donor countries will ensure that their procurement regulations shall impose the minimum financial and administrative burden on the recipient countries.

37. In view of the increased importance being attached to industry by the Governments of the least developed countries within their over-all economic and social development strategy and, therefore, considering their increased needs for technical assistance - which exceed by far the resources available to UNIDO - further efforts are needed to consolidate co-operation with potential donors, including non-governmental organizations, with a view to implementing, through appropriate co-operative arrangements, specific projects of great interest to the least developed countries, in particular those establishing local industrial production facilities. As indicated earlier in this report, there are some encouraging results in this direction; and, as far as the Arab LDCs are concerned, more such results are expected in the near future following the recommendations of the meeting of Arab LDCs organized jointly by UNIDO and the Industrial Development Centre for Arab States at Cairo in July-August 1978 (UNIDO/EX.53). The efforts made by UNIDO to mobilize additional financial and technical resources for the least developed countries, including the co-operative arrangements referred to above, have, however, failed to achieve the expected results. One of the reasons is that UNIDO is not in all cases able to provide the donors from the very beginning with all the necessary information on the industrial projects brought to their attention. Another reason may be that the donors themselves are not flexible enough in considering the requests for assistance submitted by the LDCs, placing too much emphasis on technical efficiency and

giving less attention to the socio-economic aspects that are at least equally important from the point of view of the LDCs. Whatever the reasons may be, considerable efforts are required from all concerned if industrial capacities are to be established in such countries, as recommended in the Lima Declaration and Plan of Action.

38. The establishment of the UNIDF was seen, apart from increasing the volume of technical assistance, as the prime means whereby UNIDO could move into new fields, including undertaking special measures to assist the least developed countries. However, while a desirable annual funding level of \$50 million has been endorsed by the Industrial Development Board and the General Assembly, so far contributions to the UNIDF have been only around \$10 million annually, 9 per cent of which is being used for special measures for the least developed, land-locked and island developing countries. The programmes to be financed under the UNIDF are prepared on a yearly basis, depending upon the availability of resources.

39. The Lima Conference and subsequent international forums on economic and industrial development have emphasized the need for closer economic and technical co-operation among the developing countries and made specific recommendations for carrying out a series of activities whereby the more advanced members of the group could assist in the economic development of the least developed ones. UNIDO and other United Nations organizations are called upon, each in its own field of competence, to serve as a focal point in promoting the necessary arrangements for such co-operation, basically by assisting the developing countries in identifying, preparing and evaluating specific programmes and projects suitable for their collaboration. UNIDO has already taken the initiative in organizing "solidarity ministerial meetings" for co-operation in the industrial development of some of the LDCs such as Afghanistan,^{1/} Haiti and the United Republic of Tanzania, with a view to exploring the ways in which the invited developing countries could participate in implementing industrial projects for the benefit of the host country. Nevertheless, despite the readiness of many developing countries to

^{1/} See report of the Solidarity Meeting of Ministers of Industry for Co-operation in the Industrial Development of the Democratic Republic of Afghanistan, Kabul, Afghanistan, 14-17 May 1979 (UNIDO/EX.91).

share their experience and provide, according to their means, assistance to the least developed countries, it is difficult for them to bear the external costs in foreign exchange implied in such co-operative arrangements and, therefore, a system should be designed whereby such external costs could be met by third parties, including international organizations.

40. With regard to the land-locked and island developing countries, except those that are also LDCs, the possibilities for UNIDO to develop and implement special measures as supplementary action to the general measures applicable to all developing countries are extremely limited. UNIDO can hardly implement the recommendations contained in the various United Nations resolutions unless adequate manpower and financial resources are made available. There is also need to clarify the type of assistance to be provided to these countries as part of the special measures, the countries to be given priority among them and the role of each United Nations agency and of the other members of the international community in implementing specific programmes of assistance to the land-locked and island developing countries.

III. PROPOSED ACTION BY THE THIRD GENERAL CONFERENCE

41. The Third General Conference of UNIDO may wish to consider the following:

(a) New and more practical measures to be undertaken at the national and international levels, with the particular goal of increasing substantially the financial resources earmarked for assistance to the least-developed, land-locked and island developing countries to enable them to achieve a more rapid pace of industrialization than the average;

(b) A more precise definition and identification of the special measures for the land-locked and island developing countries in the field of industrialization as well as designation of the particular countries that should benefit from such special measures;

(c) Measures to encourage regional industrial co-operation and integration as a strategy to help offset some of the disadvantages of the adverse geographic situation and market constraints not only of the land-locked and island developing countries, but also of the least developed of the developing countries;

(d) Strengthening, in terms of financial and man-power resources, the capacity of UNIDO to deal with the special problems of the least developed, land-locked and island developing countries in the field of industrial development. In this connection, it might be advisable to establish within the UNIDO secretariat a small corps of highly qualified technical experts to concentrate on initiating and developing operational industrial activities specially in favour of the least developed, land-locked and island developing countries on the basis of frequent on-the-spot investigations of the social problems and needs of these countries.

42. Chapter 12 of the Joint Study on International Industrial Co-operation (UNIDO/IOD.268), which deals with the problems of the least developed countries, also contains some guiding principles for future co-operation and proposals for action by the international community to be considered by the Third General Conference of UNIDO.



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