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Agenda item 6 (b)

REVIEW OF THE EFFECTIVENESS OF THE INSTITUTIONAL ARRANGEMENTS
FOR UNIDO WITH REFERENCE TO THE LONG-RANGE STRATEGY FOR
THE ORGANIZATION, TO MEET THE CHALLENGE OF
INDUSTRIALIZATION IN THE 1980s AND BEYOND.

Report by the secretariat

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Introduction

1. The Lima Declaration and Plan of Action on Industrial Development and Co-operation (ID/CONF.3/31, chap. IV) dealt with institutional arrangements for UNIDO in section V, paragraphs 63 through 75. It recommended that the scope and functions of UNIDO be extended and its organizational machinery be strengthened. It stated that the report of the Ad Hoc Committee on Long-Range Strategy for UNIDO (IDB/142), the resolutions of the sixth special session of the General Assembly,^{1/} and the Lima Declaration shall form the basis for determining the role and activities of UNIDO. This report describes briefly actions that have been taken since 1975 to strengthen the institutional arrangements of UNIDO.

Conversion of UNIDO into a specialized agency

2. The Second General Conference of UNIDO recommended that UNIDO be converted into a specialized agency and, after lengthy negotiations, the Constitution of UNIDO was adopted on 8 April 1979 in Vienna, at the second session of the United Nations Conference on the Establishment of the United Nations Industrial Development Organization as a Specialized Agency. By mid-November 1979, more than 50 countries had signed the document and were initiating procedures for ratification.

Interim measures for greater autonomy

3. The Second General Conference also recommended that pending the conversion of UNIDO into a specialized agency, interim arrangements should be made regarding greater autonomy for it. Provisions were approved on 25 April 1977 by the Under Secretary General for Administration and Management on behalf of the Secretary-General to give UNIDO a degree of greater autonomy in the appointment, promotion and assignment of certain categories of professional staff, including interregional advisers, special

^{1/} Official Records of the General Assembly, Sixth Special Session, Supplement No. 1.

technical advisers and all other technical co-operation project personnel, and an Appointment and Promotion Committee, a Joint Appeals Board and a Joint Disciplinary Committee have been established in UNIDO. However, appointment of professional staff at levels above P-4 or for periods of service longer than two years continues to be made by the Secretary-General on the basis of recommendations submitted through the Executive Director to the Appointment and Promotion Board at United Nations Headquarters. No arrangements have been made to grant greater financial autonomy to UNIDO; the programme budget for 1980-1981, for example, is integrated into the programme budget for the United Nations as a whole.

Establishment of the United Nations Industrial
Development Fund (UNIDF)

4. UNIDF, recommended in paragraph 72 of the Lima Declaration, was established by the General Assembly in resolution 31/202 of 22 December 1976 and began its operations 1 January 1978 on the basis of general procedures laid down by the Assembly in resolution 31/203 of 22 December 1976 and an initial programme of activities for 1978 approved by the Permanent Committee of the Industrial Development Board (IDB) at its ninth session. While the level of UNIDF resources is still far below the desirable annual level of \$50 million adopted by IDB at its eleventh session, and subsequently by the General Assembly in resolution 32/166 on 19 December 1977, there has nevertheless been some growth in contributions to UNIDF, and a number of initiatives have been taken in nine priority programme areas endorsed by IDB.

Relationships with the organizations
of the United Nations system

5. Measures taken by UNIDO in its central co-ordinating role in the field of industrial development within the United Nations system are described in a separate document on co-ordination submitted to the Third General Conference of UNIDO under agenda item 6 (a) (ID/CONF.4/10).

System of consultations

6. Paragraph 66 of the Lima Declaration and Plan of Action called upon UNIDO to include in its activities a system of continuing consultations at global, regional and sectoral levels to facilitate the redeployment of certain productive capacities existing in developed countries, in accordance with paragraph 61(d) of the Plan of Action. The development of this system is described in detail in separate papers submitted to the Third General Conference for its consideration under agenda item 5 (e) (ID/CONF.4/6 and ID/CONF.4/12). These documents review the institutional arrangements and requirements and propose further measures for consideration by the Third General Conference.

Recommendations of the Ad Hoc Committee on Long-Range Strategy

7. The Ad Hoc Committee on a Long-Range Strategy for UNIDO was established by IDB at its seventh session in resolution 38(VII); it submitted to IDB at its eighth session a report and recommendations adopted by the Committee on 11 March 1974. IDB endorsed the conclusions and recommendations of the report and requested that the relevant sections of this report as well as the report of the Group of High-Level Experts on a Long-Range Strategy for UNIDO be submitted to the Second General Conference of UNIDO.

8. The recommendations of the Ad Hoc Committee covered industrial strategies and policies, industrial information, operational activities, promotional activities, the central co-ordinating role of UNIDO, and organizational and financial requirements. The last two topics are covered elsewhere in this paper or in other documents submitted to the Third General Conference; measures with respect to the first four groups of recommendations are described in the following paragraphs.

Industrial strategies and policies

9. The Committee recommended that the role of UNIDO should not be restricted to the implementation of technical co-operation projects financed by UNDP but should also include leadership in the field of industrial development with

a view to providing advice and assistance on policies and strategies in the field of industrialization. It was felt that this required an expanded programme of studies at country, regional, sectoral and global levels.

10. The Committee also recommended that the UNIDO research and study programme should be problem- and action-oriented. As part of the reorganization of the UNIDO secretariat in 1976, an International Centre for Industrial Studies (ICIS) was established to provide research underpinning for policy and operational activities. It has carried out a programme of studies along the lines recommended by the Ad Hoc Committee and, in particular, has made a valuable contribution to the system of consultations, the programme of operational activities, and the expanded programme of action to strengthen the technological capabilities of developing countries. Studies of individual sectors prepared by ICIS have provided substantive inputs for the system of sectoral consultations as well as a basis for technical assistance activities in those sectors. In addition to the Industrial Development Survey, it has carried out a number of studies of industrial policies and strategies and has prepared manuals which are being used directly in technical co-operation and pre-investment activities. Country industrial development profiles prepared by ICIS have provided sectoral analyses for UNDP country programming exercises reflecting government strategies and policies for industrialization.

Industrial information

11. The industrial information activities of UNIDO have developed along the lines suggested by the Ad Hoc Committee. At its thirteenth session, IDB decided that an Industrial and Technological Information Bank established initially on a pilot basis should be continued as an on-going activity of UNIDO, with appropriate staff and financial resources, and that its activities should include the sectors and topics covered by the system of consultations of UNIDO as well as the sectors chosen for the International Forum on Appropriate Industrial Technology. At its second meeting in 1979, the Economic and Social Council (ECOSOC) endorsed the decision and recommendations of IDB and requested the General Assembly to provide the appropriate resources in the programme budget for 1980-1981 (ECOSOC resolution 1979/59).

Operational activities

Technical co-operation

12. In the reorganization of the UNIDO secretariat in 1976, following the Second General Conference, and in several subsequent adjustments, the secretariat structure has been revised to give more effective support to operational activities. These measures were described in the Annual Report of the Executive Director for 1976 (ID/B/180) and in a report of the Executive Director (ID/B/187) to IDB at its eleventh session. The grouping in a single Industrial Operations Division (IOD) of all technical sections directly involved in technical co-operation field projects as well as the sections responsible for recruitment and for procurement of equipment and services has increased the efficiency and effectiveness with which field projects are implemented. The creation of a new Investment Co-operative Programme Office, also within IOD, has strengthened the links between technical co-operation and investment promotion activities. Within the Policy Co-ordination Division, sections for Programme Development and Evaluation, Least Developed Countries, and Economic Co-operation Among Developing Countries deal with general matters of programme and project development as well as processing for appropriate financing; close links between the two divisions are maintained at every level and at every stage of project activity. In addition, the country and sectoral studies carried out by ICIS provide macro-economic and technical analysis in support of technical co-operation programming and project development. There is particularly close inter-divisional co-operation in the area of technology, in which programmes are developed with the active involvement of technical staff of both IOD and ICIS. Such inter-divisional co-ordination is further strengthened by the work of the Programming Committee, which in addition to examining policy issues and formulating programme development policies also considers approval of programme and projects for UNIDF financing, and reviews periodically the progress of UNIDO programmes. Another means of inter-

divisional co-ordination has been the establishment of task forces, which have covered such areas as the new dimensions in technical assistance, industrial investment projects, rural industrialization, the integration of women in development, and energy.

13. Further inter-divisional co-ordination has been achieved through the appointment of an Acting Deputy Executive Director, in October 1978, with responsibility to provide guidance and supervision for the technical assistance activities of UNIDO, including the programming and implementation of technical assistance field projects as well as corresponding activities in the fields of transfer of technology and investment promotion.

Regional and country representation

14. As was noted at the eleventh session of IDB, measures taken to strengthen the secretariat headquarters would not suffice in themselves to improve the effectiveness of field activities. Measures were also needed to strengthen the presence of UNIDO at country and regional levels. Actions taken to achieve this objective have included the building up of joint industry divisions, with very close links to ICIS, at all of the regional commissions except the Commission for Europe, and an increase in the number of industrial development field adviser (SIDFA) posts from 23 in 1975 to 38 by the end of 1978. A further eventual increase in the number of posts to 60 has been recommended by IDB. These SIDFA posts have been financed almost exclusively by UNDP and, following its review of a study of the programme, the UNDP Governing Council in 1979 requested a joint UNDP/UNIDO country-by-country study of the requirements for SIDFA services. This study was initiated in November 1979 and the results are expected to be submitted to IDB and the UNDP Governing Council in 1980. The problem of long-term financing arrangements for the SIDFA network remains unresolved, despite widespread expressions of support for the system itself. In order to extend the coverage of the limited number of SIDFAs presently available, UNIDO has accepted the offers of

a number of industrialized countries to provide junior professional officers (JPOs) to assist SIDFAs; these officers have in many cases contributed significantly to the effectiveness of SIDFA activities. At present, 30 JPOs are serving on field assignments with SIDFAs.

Promotional activities

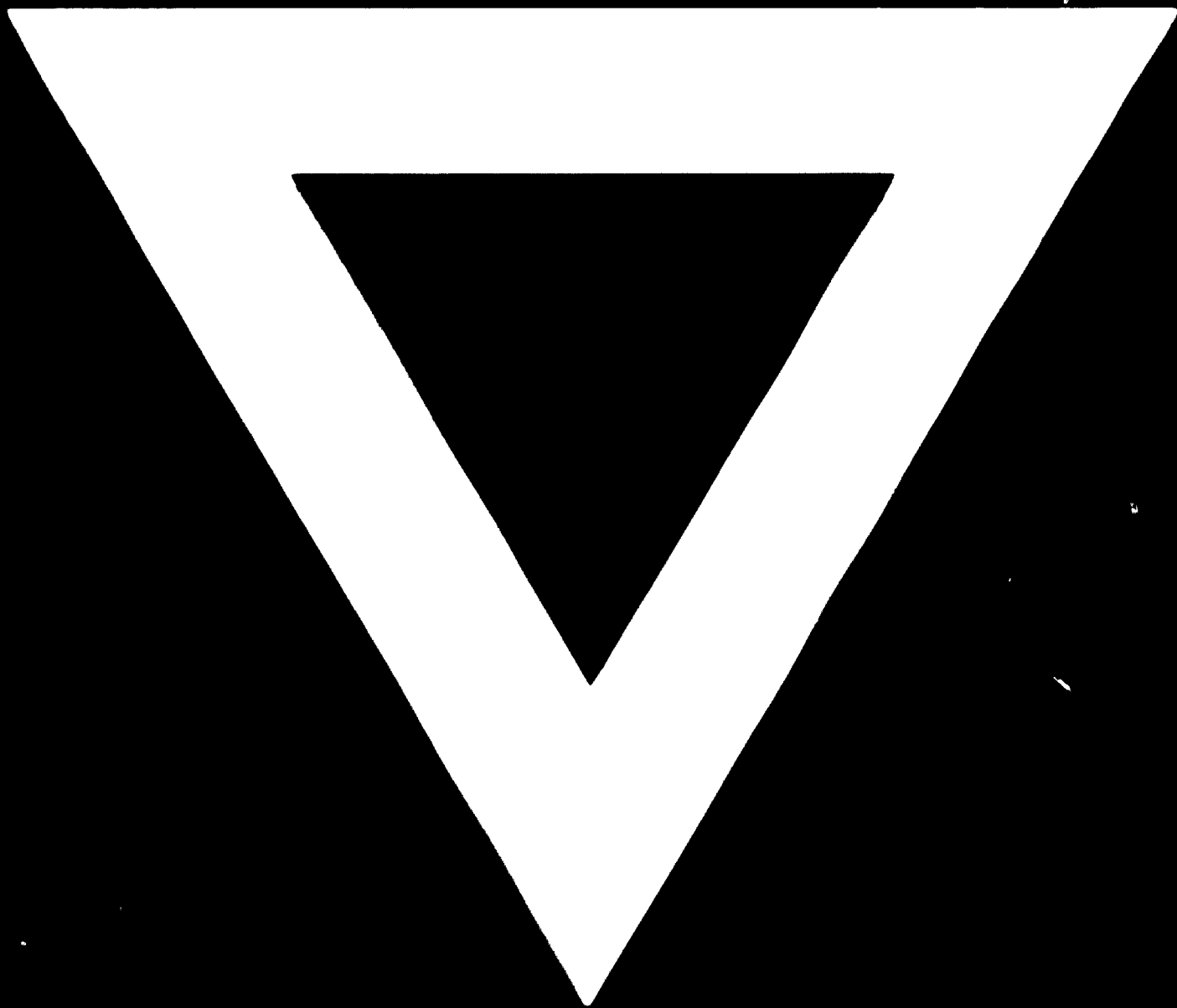
15. Since the reorganization of the secretariat promotional activities are carried out by a special section within the Policy Co-ordination Division created for co-operation with non-governmental organizations and business and industrial institutions as well as by the Investment Co-operative Programme Office through its network of investment promotion offices in several industrialized countries. These activities are closely co-ordinated with activities carried out as part of the system of consultations.

Summary

16. In summary, a variety of measures taken since the Second General Conference at Lima to improve the effectiveness of the institutional arrangements of UNIDO have enabled the secretariat to provide more effective support to a rapidly expanding programme of technical co-operation field activities as well as to initiate new activities in such priority fields as industrial research and analysis, transfer of technology, investment promotion, and redeployment (including the system of consultations). However, while the institutional arrangements have been modified, the absence of a commensurate growth in budgetary resources has not permitted the reorganized secretariat to respond fully to the mandates of IDB and the requirements of developing countries. During the transition of UNIDO to the status of specialized agency there continues to be a need for greater autonomy, especially in matters of staffing and budget preparation, as well as for significantly increased resources, both through regular budget appropriations and through voluntary contributions.



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