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Fifth Session

Vienna, 24 - 28 May 1971

SUMMARY RECORD OF THE ONE HUNDRED AND ELEVENTH MEETING

Held at the Neue Hofburg, Vienna,
on Wednesday, 26 May 1971, at 10.45 a.m.

President: Mr. ASANTE (Ghana)

Reporteur: Mr. HARS (Hungary)

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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.

MATTERS CONCERNING INTERGOVERNMENTAL AND NON-GOVERNMENTAL ORGANIZATIONS
(ID/B/86 and Add.1-5)

1. The PRESIDENT drew attention to documents ID/B/86 and Add.1, 3 and 5, and said that since the fourth session of the Board applications had been received from the Intergovernmental Council of Copper Exporting Countries, the International Institute for Cotton, the Council of Arab Economic Unity, the Organisation of Senegal Riparian States, the Council for Mutual Economic Assistance, and the Organization for Economic Co-operation and Development. Those intergovernmental organisations requested to be associated with the activities of UNIDO under rule 75 of the rules of procedure.
2. Mr. ARKADIEV (Union of Soviet Socialist Republics) recommended that the Council for Mutual Economic Assistance (CMEA) should be granted consultative status with UNIDO. Established in 1949, the Council was now the basic organ of co-operation among the Socialist countries in the economic field; based on it, the national economic ties among the Socialist countries were being deepened and expanded. In the framework of CMEA, the Socialist countries were helping each other develop their national economies and were strengthening economic links on a long-term basis. The construction of the "Druzhba" oil pipeline linking the USSR with other Socialist countries and the construction of an enormous gas pipeline for the transportation of Siberian gas to the European part of the USSR and farther, to brother Socialist countries, bore witness to the scope of the co-operation among the Socialist countries. Those were examples of economic co-operation which enabled the efficiency of national production to be improved and the national economic growth rates of the Socialist countries to be increased. Between 1966 and 1970, industrial production had increased by 49 per cent in the CMEA countries; trade among the Socialist countries members of CMEA and also between the countries members of CMEA and the developing countries had risen sharply. UNIDO could usefully draw on CMEA's wealth of experience in arranging economic co-operation, especially in its activity in the organization of regional and sub-regional co-operation among developing countries.
3. The majority of CMEA's eight members were members of UNIDO. Unfortunately, however, the experience and economic possibilities of one of the member countries of CMEA, namely, the German Democratic Republic, a highly industrialized country, was not being used by UNIDO. UNIDO and the developing countries were missing a great deal because of the tendentious political stand of some countries which were blocking participation by the German Democratic Republic in UNIDO. The acceleration of industrial development

in the developing countries depended to a large degree on wider international co-operation, in which all countries could take part on the basis of the principle of universality, irrespective of their social and economic systems. By the very nature of its purpose, UNIDO should be a universal organization. The German Democratic Republic, which was granting considerable assistance to developing countries, had on many occasions stated its intention of participating in UNIDO's work as a full member and making its contribution to the work of the organization. The situation where the German Democratic Republic was not admitted to full membership and participation in UNIDO was somewhat unfair. That situation did not serve the interests of the developing countries and should be corrected.

4. Mrs. STEEG (Federal Republic of Germany) could not agree with the views expressed by the representative of the Union of Soviet Socialist Republics concerning the participation of the German Democratic Republic in the activities of UNIDO and the meetings of the Board. The invitation to Board sessions was couched in terms based on General Assembly resolution 2152 (XXI), which provided for participation of member States only. It was regrettable that an attempt had been made to re-introduce that issue, on which the Board was not competent to take a decision. Consequently, she suggested that the Board proceed with the examination of the items on its agenda.

5. The PRESIDENT asked whether the Board wished to designate the six inter-governmental organizations he had mentioned as participants in the deliberations of the Board and its subsidiary bodies in accordance with rule 75 of the rules of procedure.

6. It was so decided.

7. The PRESIDENT drew attention to documents ID/B/86 and Add.1 and 4. The Ad Hoc Committee for the review of applications for consultative status from non-governmental organizations, which had met on 25 May 1971, recommended that the Board, in accordance with rule 76 of the rules of procedure, should decide to admit as observers the following organizations: the International Savings Banks Institute, the International Organization of Consumer Unions, the International Co-operatives Alliance, the European Union of Coachbuilders, the International Union for Conservation of Nature and Natural Resources, and the International Union of Independent Laboratories.

8. It was so decided.

FINANCIAL AND ORGANIZATIONAL MATTERS (ID/B/84, ID/B/82, ID/B/81, ID/B/93, ID/B/85)

9. Mr. BIRCKHEAD (Secretariat) introduced the budget estimates for 1972 (ID/B/84). He drew attention to the preface to that document, and pointed out that the figures appearing therein did not take account of the revaluation of the Austrian schilling in relation to the United States dollar. The procedure outlined in the preface followed the precedent established in 1970 and described in paragraphs 1 and 2 of document ID/B/66.

10. Mr. GUILIANO-CABALLERO (Secretariat) introduced the report on the programme of Special Industrial Services (ID/B/81) and the UNIDO regular programme of technical assistance (ID/B/82).

11. All the questions dealt with in document ID/B/81 had been discussed in some detail by the Working Group. The only point he wished to stress was that the SIS programme had a rather special place in UNIDO's over-all programme structure and was perhaps the most dynamic part of the operational programme. The resources allocated to the SIS programme had already made it possible to meet the needs of many developing countries in respect of diverse aspects of the process of industrialization. Quite apart from financial considerations, however, the SIS programme was also linked with questions of policy.

12. Turning to document ID/B/82, he said that the regular programme of technical assistance, which was an important part of UNIDO's over-all programme, had been discussed in detail by the Working Group. Account was always taken of the policy guidelines established by the Board when drawing up the regular programme, which made it possible to undertake certain activities which were not covered by other parts of the programme. The programme's main feature was the emphasis placed on continuous upgrading of skills. Since the fourth session of the Board, another important sector had been added to the programme, namely, country programming. Many of the 60 sectoral programmes discussed by the Working Group had been financed from the regular programme, which also served to finance posts for industrial and regional advisers attached to ECA, ECAFE, ECIA and UNESOB. Finally, it should be noted that the programme's fellowship component was to be increased in 1972.

13. The Board was requested by the Executive Director to examine the programme, approve the projects included under that portion of the budget, and approve the planning level for the 1973 regular programme of technical assistance.

14. Mr. BARBOSA (Secretariat) said that the report on the UNIDO General Trust Fund (ID/B/93) dealt with the management of the General Trust Fund, which was constituted by voluntary contributions to UNIDO. At its first session, the Board had invited the Secretary-General to convene an annual pledging conference at which Governments could pledge additional financial support to the organization. The third and most recent pledging conference had been held in 1970 during the 25th session of the General Assembly. Contributions pledged during and after the conference amounted to approximately \$2.2 million, bringing the total amount of voluntary contributions pledged since 1968 to \$6,913,000, of which approximately \$5.4 million had already been collected.
15. Every effort was made to use voluntary contributions effectively without becoming involved in cumbersome bureaucracy and administrative procedures. By the end of 1970, the Committee on Voluntary Contributions established by the Executive Director to advise him on the most effective utilization of the General Trust Fund had programmed projects representing \$3.5 million or approximately 80 per cent of resources available at that time. The Committee was guided in its work by the general principles laid down by the Board at its third session. Programme implementation had gained momentum in 1970, during which year the actual delivery of projects had approached the figure of \$1 million. The projects financed out of the General Trust Fund were marked by their pioneering character and the flexible approach adopted with regard to their programming and implementation. As could be seen from paragraphs 17-32 of the report, certain projects could not be carried out by UNIDO if the Trust Fund did not exist. Further details concerning the projects financed out of the Trust Fund were given in document ID/B/80, which had been examined by the Working Group and approved by the Board.
16. The PRESIDENT said that the Board was required to take note of the documents before it in connexion with agenda item 6. In the case of the UNIDO regular programme of technical assistance (ID/B/82), the Board was required to approve the programme proposals for 1972 annexed to the report, recommend to the General Assembly the appropriation of \$1.5 million within section 14 of part V of the Regular Budget of the United Nations for 1972, and recommend a planning level of \$1.5 million for the regular programme of UNIDO for 1973.
17. Mr. CZARKOWSKI (Poland) said that his delegation would abstain in the Board's decision concerning the regular programme of technical assistance, for reasons which had already been stated on previous occasions.

18. He asked whether member States would have to bear any additional costs as a result of the revaluation of the Austrian schilling. If that was the case, he wished to know whether there would be repercussions on the budget for 1971 and 1972, and also whether the Executive Director had taken steps to ease the additional burden placed on member States by disturbances in the Western monetary system.

19. Mr. BARBOSA (Secretariat) said that the revaluation of the Austrian schilling would have repercussions on the budget for both 1971 and 1972. The exact extent of those repercussions had not yet been calculated but they would be determined primarily by the increase in the cost of living. The Executive Director would of course make every effort to continue economy measures, reduce costs and implement the programme as efficiently and economically as possible.

20. Mr. BLAISSE (Netherlands) after recalling his delegation's pre-occupation with UNIDO's high administrative costs, asked whether any increase in field activities could be financed within the present estimates, thereby improving the ratio between operational and administrative expenditure.

21. Mr. SAN SEBASTIAN (Spain) asked why a meeting of ten experts on fertilizers, pesticides and petrochemicals cost \$12,000, while a meeting of twenty experts on new yarn production cost only \$10,000.

22. Mr. BIRCKHEAD (Secretariat), replying to the representative of the Netherlands pointed out that the 1972 estimates included an increase of \$0.9 million for continuing the programme at the 1971 level. A further \$1.2 million, not included in the estimates, would be required to finance the expected increase in the programme. Approximately half that sum would be for operational activities and half for administrative supporting activities.

23. Mr. BARBOSA (Secretariat), replying to the representative of Spain, recalled that it was not strictly within the competence of the Board to go into such detailed budgeting questions. He could state, nevertheless, that the variation in the estimated cost of meetings was due to the distances that participants had to travel in order to attend.

24. Mr. TARRANT (United States of America) asked why paragraph 16.5 of document ID/B/84 referred to a total of \$32 million for operational programmes in 1972, while paragraph 16.19 mentioned the figure of \$33.4 million. He would also like to receive further information on the financial implications of publishing Industry International, the first number of which seemed highly professional in both presentation and content.

25. Mr. BARBOSA (Secretariat) pointed out that the figure of \$32 million corresponded to an estimate of programmes that would actually be delivered in the course of 1972, while the sum of \$33.4 million represented total available resources for which planning work had to be carried out whether the actual programmes were delivered or not.

26. The review Industry International was a recent development which it had not been possible to include in the budget estimates. It was hoped that the review would eventually become self-supporting, but during the initial launching period it would be financed from the publications programme.

Mr. Zeilinger (Costa Rica) took the chair.

27. Mr. VAFA (Iran) expressed the hope that Industry International would provide useful information on opportunities in the developing countries for potential investors.

28. Mr. NOTOSUWARSO (Indonesia) suggested that in future the budget estimates should cover financial matters relating to Special Fund projects. He noted in paragraph 16.15 that no provision had been made for increasing the number of professional posts in 1972 and wondered whether it would be possible to carry out the expected increase in workload without additional professional staff. He also noted that the ratio of professional to general service staff was roughly one to one and thought that more professional staff were needed. Table 16.5 indicated an excess of professional staff in categories P-3 and P-4, as compared with P-1 and P-2. In his view, more young officials should be recruited at the P-1 level, trained, and subsequently promoted. He hoped that the allocation for travel would prove sufficient for the greater degree of mobility required in 1972.

29. Turning to document ID/B/82, he supported the increased appropriation for consultations with Governments and long-range country programming. He also approved the SIS programme, which was of great importance to the developing countries. The depletion of its resources was a cause for concern, and he therefore commended the Executive Director on the understanding he had reached with UNDP on ways of meeting costs. UNIDO's overhead expenses were, in his opinion, too high. The non-convertible resources in the General Trust Fund could be used to promote regional and sub-regional activities. He hoped that the Special Conference would bring a solution to the crucial problem of UNIDO's financing.

30. Mr. KAMEL (United Arab Republic) pointed out that the staff of the Technical Co-operation Division and the Industrial Technology Division was very low in relation to the volume of work they handled. His delegation took the view that UNIDO's technical activities should be given top priority and would therefore support measures to strengthen the two divisions concerned.

31. Referring to document ID/B/82, he asked for further information concerning the activities referred to in paragraphs 16 and 19.

32. Mr. SHATSKY (Union of Soviet Socialist Republics) noted that the rate of programme delivery in relation to resources had been 64 per cent in 1971, while the 1972 rate was expected to be 66 per cent. In other words, UNIDO had at its disposal a considerable volume of untapped resources which could be used to finance additional projects. In his view, an effort should be made to bring the actual delivery rate up to 90 per cent or more.

33. He observed that the UNIDO secretariat should take steps to achieve more rational expenditure of the funds assigned to UNIDO and also of UNIDO's own resources and should seek possibilities for carrying out the growing volume of work and making that work more effective, primarily by further improving the use of personnel, and in particular through a reduction in administrative staff and a corresponding increase in operational staff by improving the qualifications of staff, reducing all types of unproductive expenditure and eliminating duplication in work, etc. If those measures were applied, his delegation was convinced that UNIDO could carry out a great deal more work without recruiting extra staff. He also observed that the estimate for 1972 proposed for UNIDO by the United Nations Secretary-General under the regular budget of the United Nations was entirely adequate to enable the UNIDO secretariat to carry out the volume of work planned for the Organization for 1972.

34. Turning to document ID/B/82, he recalled that for six years his country had been organizing training courses on the ferrous metal industry for specialists from the developing countries. It was essential that those courses should continue to be financed from the regular programme. Although they were designed to accommodate 60 trainees, only 35 were at present attending them. The Soviet Union was ready to look into the possibility of organizing a four-week training course, immediately after the ordinary courses, for managerial staff from the metallurgical industry in the developing countries. Such courses could be given in languages other than English.

35. The Soviet Union's voluntary contributions to UNIDO had so far amounted to two million roubles, which were now being effectively employed. That voluntary contribution could be put to more effective all-round use above all for the holding of group training courses for specialists from the developing countries, symposia and seminars in his country, the carrying out of various research projects and surveys by specialists from his country, the carrying out of laboratory research, techno-economic evaluations and planning and also for the partial supply of equipment to the developing countries and other work.

36. He further drew attention to the constant growth in the volume of publications and documentation and to the necessity of taking steps to restrict the volume of publications (see paragraph 43, document ID/B/85).

In connexion with the fact that during the session of the Board, the UNIDO secretariat had distributed a special issue of the review Industry International among the representatives and two delegations had considered the publication of that review expedient, attention had been drawn to the fact that the publication of the review had not been discussed in the Working Group. Since the publication of the review was part of the programme of work of UNIDO, that question ought to have been discussed under the agenda item concerning the programme of work of UNIDO. The review had been distributed as an unofficial document. The documents presented for consideration by the Board and its Working Group made no mention of publication of the review in question. Moreover, the review had not been distributed in the official languages. Therefore, in accordance with the Rules of Procedure, discussion of that question should be postponed until the sixth session of the Industrial Development Board, and the UNIDO secretariat should take no further action, pending a decision by the Board.

37. He welcomed the fact that the supply of equipment had increased considerably in 1970.

38. Turning to personnel matters, he asked how the planned increase in staff from 1,024 members on 31 December 1970 to 1,450 in 1972 and 2,100 in 1976 had been calculated, and how the increase would be absorbed by the different categories of the UNIDO secretariat. Why, moreover, and according to document ID/B/85, Annex I, paragraph 4, were only 224 of the posts currently occupied subject to the principles of geographical distribution? His delegation had repeatedly called the attention

of the Board to the fact that the principle of equitable geographical distribution was not observed in the staffing of the secretariat, particularly at the higher levels. Indeed, the latest data concerning professional posts showed that the tendency to favour candidates from Western countries had actually increased during the past year, to the extent that nationals from these countries were occupying more than 53 per cent of the 224 posts which he had just mentioned, including 33 of the 62 posts at the P-5 level. The equivalent figures for nationals from the Socialist countries were 31 posts out of 224, including only 4 at P-5 level or above. He could not accept the argument of certain UNIDO officials that only the Western countries could provide specialists capable of working at the international level. The reason, he believed, was rather to be found in the fact that nationals from Western countries were occupying key positions throughout the Organization and were thus able to exercise an influence on staffing policy. Admittedly, there had been some improvement during the past year, with the recruitment of a few Soviet specialists at P-3 and P-4 levels; but the fact remained that only one of the posts at P-5 level or higher was occupied by a Soviet citizen. The capacity of his country to provide specialists with qualifications for such posts, though recognized by those who headed UNIDO, was obviously not being utilized. Disregard for the principle of broad geographical distribution was particularly apparent in the Division of Administration, Conference and General Services, where more than 60 per cent of the staff were nationals of Western countries, who occupied all posts at P-5 level or higher, and where nationals of Socialist countries occupied only three posts at the P-2 - P-3 levels.

39. On a matter of detail concerning the utilization of personnel, he asked why it had been necessary to send staff of the UNIDO New York Office, the chief function of which was liaison with the United Nations Organization, on missions to distant countries. Might not such missions have been better undertaken by staff from Vienna? Indeed, if staff in New York were available for such journeys, there might be a case for transferring them to Vienna.

40. Mr. ENSOR (United Kingdom) confined his remarks to the subject of the recommendation on the planning level of expenditure for the regular programme of technical assistance in 1972-1973. His delegation supported the secretariat's proposals in document ID/B/89, but hoped that resources would not be pre-empted too early for fellowships and advisory posts; a reserve should be kept in hand for financing, with appropriate flexibility, new and untried activities. He wished to reserve the right to intervene again if proposals on other aspects of that item of the agenda emerged from the discussion.

41. Mr. AL-QUAISI (Iraq) believed it to be generally acknowledged that the over-all effect of UNIDO's assistance was inadequate, owing primarily to the financial constraints under which the Organization was working. He recalled General Assembly resolution 2639 (XXV), calling upon the Governing Council of UNDP to take all the necessary measures to ensure the continuity of the programme of Special Industrial Services, which had "proved to be highly effective as a flexible instrument of assistance to meet the particular requirements of the developing countries in the field of industry". Endorsing that judgement, he hoped that "continuity" in that connexion might imply "expansion".

42. He also hoped that UNIDO as an executing agency would be accorded responsibility for more Special Fund projects, in collaboration with other international bodies. He fully agreed with the representative of Indonesia that financial matters related to such projects should be included in the budget estimates.

43. The regular programme was very small when compared with the expectations of the developing countries, and he hoped that it, too, might be expanded, perhaps through increased voluntary contributions to the Organization.

44. Mr. SZENTFÜLÖPI (Hungary), referring to the staffing of UNIDO, said that the figures quoted by the representative of the Union of Soviet Socialist Republics spoke for themselves, and presented a very sombre picture. The Socialist countries naturally wished to see an expansion of UNIDO's activities, and they wished to participate in that expansion. It was depressing to note that their representation in the secretariat was actually declining, whilst nationals of the Western countries were in the ascendant, particularly at the higher levels.

45. Mr. VENKATARAMAN (India) urged that greater financial support be given to UNIDO, since the Organization's past achievements showed that it was capable of shouldering even greater responsibilities. The availability of resources depended, of course, on the requests made by the developing countries; knowledge that greater funds were available might, however, stimulate requests and increase the probability of implementation. He appreciated the remarks by the representative of the Union of Soviet Socialist Republics concerning the shortfall between actual and approved expenditure, but believed the phenomenon to be a familiar one at the national as well as the international level. He was unfamiliar with the intricacies of United Nations

budgeting, but wondered whether the level of actual expenditure might not be increased if approved spending were allowed to exceed approved resources at a given moment. It was not likely that the organizations concerned would wind up their affairs in the near future, so that any deficit could be made good at a later date.

46. Quoting extensively and with approval from the statement by the representative of the United Nations Development Programme (UNDP) concerning the programme of Special Industrial Services, and expressing appreciation of the fact that the relationship between the number of projects completed and approved (document ID/B/81, Table 6) was more satisfactory, he nevertheless wished to know how long such projects were kept in abeyance, and whether there was any use in so delaying them. According to paragraph 11 of the same document, 90 requests were pending at UNIDO headquarters on 31 December 1970; he hoped that progress towards their implementation had been made since that date.

47. Mr. PORTO (Brazil) announced that with the representatives of Senegal and Mali he had prepared a draft resolution recognizing the growing importance of the SIS programme in UNIDO's operational activities and urging the Governing Council of UNDP to earmark the sum of US\$3 million for expenditure on that programme in 1971. He asked the President to give a ruling on the procedure for handling that resolution.

48. The PRESIDENT said that the proposal would be handled in accordance with the rules of procedure of the Board, and suggested that its sponsors enter immediately into active consultation with interested delegations, with a view to ascertaining their opinions and preparing a final version of the draft resolution, which might then be dealt with expeditiously by the Board as a whole.

49. Mr. SARABIA-DUENAS (Mexico) spoke of the keen interest of the developing countries in the SIS programme, whose flexibility enabled it to satisfy an increasing number of requests. He congratulated UNIDO on its achievements, and merely wished to suggest that the implementation of the programme might be improved if processing was accelerated, with a reduction in the time required to transform a request into a service rendered. Developing countries should be given help in the formulation of their requests, and pre-investment studies could be of great use to those contemplating investments and anxious about possible profits or losses. In addition, an annual evaluation might be made of projects already completed. He was happy to note that

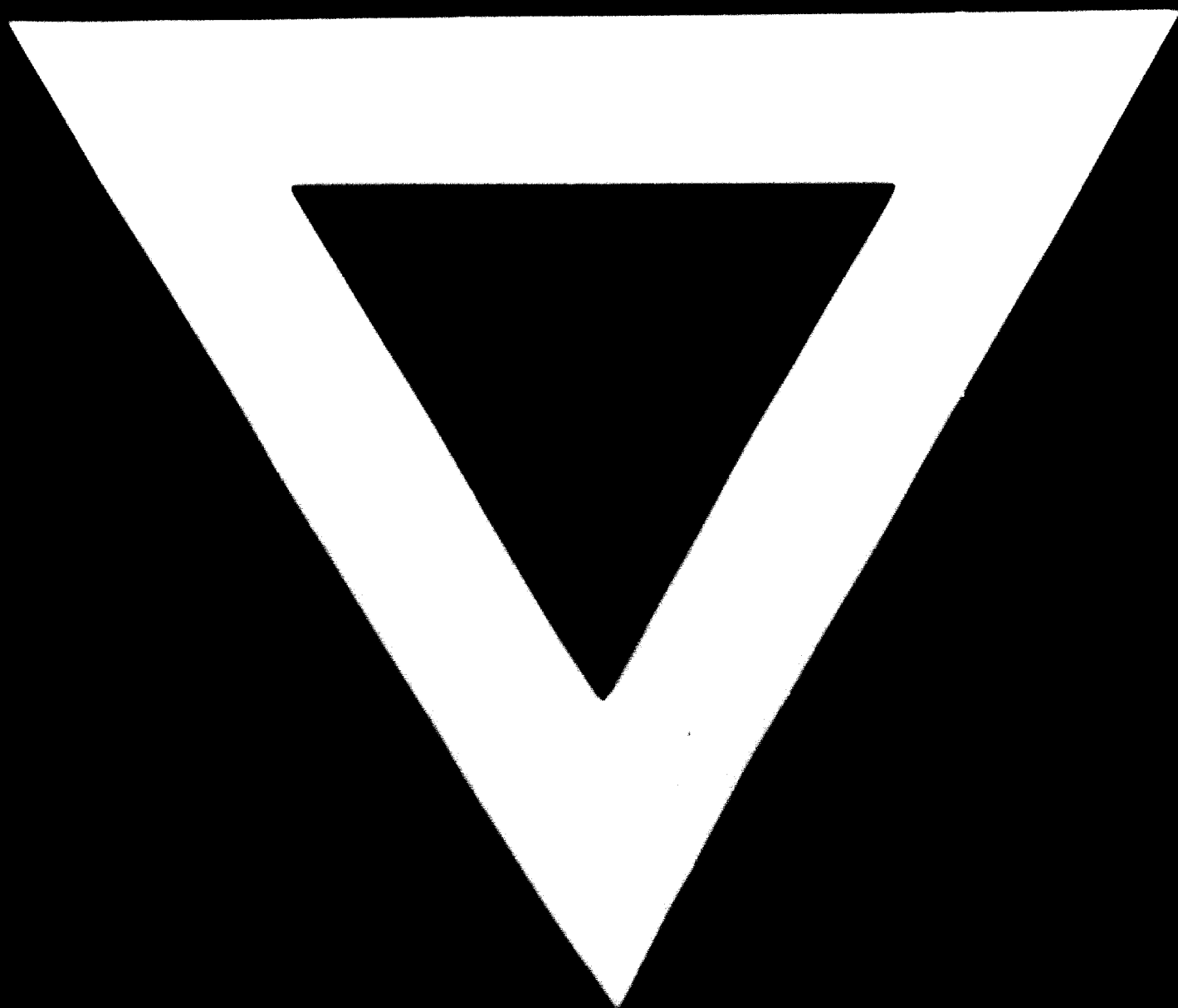
the SIS programme had a proper regional distribution, and reflected the diversity of requests received. As the Executive Director had pointed out, planning and programming were essential milestones on the path towards healthy industrial development.

50. Mr. DELGADO (Senegal) confirmed his sponsorship of the draft resolution mentioned by the representative of Brazil. He considered that the SIS programme was of fundamental importance, and that its impact was already considerable. The programme should be continued, and the procedures for implementation accelerated so that the needs of the developing countries, and the least advanced among them in particular, might be satisfied without delay. SIS was the industrial trouble-shooter par excellence, and should be on the spot as soon as possible. He hoped that UNIDO would take full account of the statement on that subject by the Governing Council of UNDP, recorded in paragraph 36 of document ID/B/81.

51. Mr. ISHII (Japan) addressed himself to administrative matters, and in particular to the problem of quality in the performance of tasks at headquarters and in the field. No one who held the interests of UNIDO at heart could neglect that problem, particularly at a time when the Organization was acquiring greater autonomy and greater responsibility. Equitable geographical distribution in staffing was a very complex matter. The principle was exemplary, but should not be allowed to outweigh considerations of efficiency. In saying that, however, he was not subscribing to the argument that only a small number of countries were capable of providing properly qualified staff members. The present state of imbalance might perhaps be rectified through the progressive replacement of short-term staff by officials recruited on a permanent basis and in accordance with the principle of geographical distribution. At the same time, the member countries of UNIDO should be encouraged to assume their responsibilities with regard to the provision of suitable candidates.

The meeting rose at 1 p.m.





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