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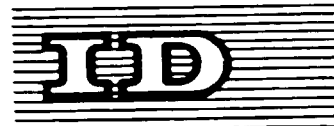
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THE UNIDO PROGRAMME FOR ECONOMIC CO-OPERATION
AMONG DEVELOPING COUNTRIES

Report by the secretariat

00023

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INTRODUCTION

1. The importance of co-operation between developing countries, and, in particular, in industrial development, has been recognized in a series of declarations, resolutions and decisions of the United Nations General Assembly and other international bodies. Such co-operation is necessary to establish the new international economic order called for by the sixth and seventh special sessions of the General Assembly, that is, for developing countries to attain the levels of national and collective self-reliance necessary to participate in international economic relations on the basis of equality and mutual benefit.
2. In this paper are considered the advantages offered by co-operation between developing countries in the industrial sector; initiatives taken by UNIDO to promote such co-operation; and further measures and mechanisms that might make it more effective.
3. This paper should also be considered in conjunction with the UNIDO publication entitled Industry 2000: New Perspectives.^{1/}
4. The concept of national and collective self-reliance and mutual help in the context of national development efforts in developing countries was expressed by the General Assembly, at its twenty-seventh session, in resolution 2947 (XXVII) of 14 December 1972. The resolution invited the Governing Council of the United Nations Development Programme (UNDP) to convene, in consultation with interested Member States, a working group on technical co-operation among developing countries to examine and make recommendations on the best way for developing countries to share their capacities and experience with a view to increasing and improving development assistance. The working group was also to examine the possibilities and advantages of regional and interregional technical co-operation among developing countries.
5. In pursuance of that resolution, a working group of intergovernmental experts from 19 Member States was convened. In its final report (DP/69), the working group delineated a set of principles and objectives for technical

^{1/} ID/237 (ID/CONF.1/3).

co-operation among developing countries (TCDC) and made recommendations accordingly. In making these recommendations, the working group linked the establishment of the new international economic order with technical co-operation among developing countries, which it considered a vital element in the search for an equitable basis for global development.

6. By resolution 3251 (XXIX) of 4 December 1974, the General Assembly endorsed the working group's final report and recommended further action to be taken by the Governing Council of UNDP, participating and executing agencies, regional commissions and the Secretary-General. One of the requests in that resolution was that the Governing Council of UNDP should convene an inter-governmental symposium on technical co-operation among developing countries, to be preceded by regional intergovernmental meetings.

7. In March 1975, the Second General Conference of UNIDO adopted the Lima Declaration and Plan of Action on Industrial Development and Co-operation (ID/CONF.3/31, chap. IV)^{2/} which in paragraph 60 listed 14 measures to be taken to promote industrial co-operation between developing countries (annex I).

8. In June 1975, the Governing Council of UNDP at its twentieth session took an important decision concerning "new dimensions in multilateral technical co-operation", and on 30 July 1975 the Economic and Social Council adopted resolution 1963 (LIX) entitled "Technical co-operation among developing countries", the provisions of which expressed support for continuing efforts by UNDP to promote the application of such technical co-operation, and recommended inter alia that the General Assembly should appropriate funds under the regular budget of the United Nations to provide conference services for regional meetings and intergovernmental symposia on multilateral technical co-operation.

9. By resolution 3461 (XXX) of 11 December 1975 the General Assembly recognized that TCDC was an integral part of overall co-operation for development and one of the most effective channels for promoting economic co-operation among developing countries. From 1976 until the convening of the United Nations Conference on Technical Co-operation among Developing Countries, Buenos Aires,

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

30 August to 12 September 1978, many regional and interregional meetings on economic co-operation among developing countries were convened. One such meeting, which took place in Kuwait on 5 June 1977, declared that "TCDC is a historical imperative brought about by the need for a new international economic order. It is a continuous, systematic and politically motivated process developed to create a framework of multiple links between developing countries". The Kuwait Declaration was recognized in resolution CM/Res.560 (XXIX), adopted by the Council of Ministers of the Organization of African Unity at its twenty-ninth ordinary session held at Libreville from 23 June to 5 July 1977. It was further endorsed by the Assembly of Heads of State and Government of the Organization of African Unity at its fourteenth ordinary session, held at Libreville from 23 June to 5 July 1977, and by the Council of Ministers of the Organization of African Unity at its thirty-first ordinary session, held at Khartoum from 7 to 18 July 1978.

10. Developing countries continue to seek to strengthen economic co-operation among themselves to accelerate their economic and social progress. The countries actively involved have established many schemes, institutions and arrangements designed to foster economic co-operation at the regional and subregional levels. Some of these mechanisms have been in operation for a long time and some are recent. Their histories vary but the general thrust is unmistakably towards the strengthening of economic relations among developing countries and the invigoration of their joint efforts to tap fully their development potential.

11. From the time of its inception, UNIDO has been involved in rendering technical and financial assistance to developing countries to promote their economic and technical co-operation, particularly in the industrial field. However, in the mid-1970s, TCDC, which involves the sharing of the capacities and skills between two or more developing countries, emerged as a vital aspect of international co-operation and a major instrument in the establishment of the new international economic order. TCDC is inherent in the purposes and principles of the Charter of the United Nations, but from the perspective of the history of international co-operation within and outside the United Nations system, and in terms of United Nations experience over the last 25 years, TCDC represents a new stage and a new dimension.

12. TCDC seeks to turn technical co-operation into a tool and strategy geared to satisfy the aspirations of the developing countries in the last quarter of the century. TCDC does not negate, but refines and reinforces the concept of global technical co-operation because it emphasizes the basic involvement of the countries that stand to benefit most from it. TCDC springs from the realization that a stage has been reached when developing countries must take a direct and more active part in the international processes and activities which affect their economic and social development and that technical co-operation, besides helping them to meet their needs for skills and technology, should be put to a new use - to help promote better understanding and appreciation of their common developing problems, and to generate mutual self-help and self-reliance among the developing countries concerned. Thus, self-reliance is the most important principle of TCDC and this makes it unique in the history of bilateral and multilateral economic co-operation.

13. Developing countries have realized that no system of technology or skill can be transplanted or imported into a country with the same effect it had in the country of origin. Technology must be adapted to suit the particular needs of the importing country. Thus, developing countries must share with each other the techniques of adapting imported technologies because unless the human resources are developed, the present heavy dependence on imported skills and technology will continue. This is why self-reliance is the cornerstone of TCDC. Self-reliance, without insulation, often unlocks human and other forces and qualities that help nations make the fullest use of their natural resources and leads to the identification and utilization of local capacities that are indispensable for ensuring self-improvement. Nations that face similar development problems and share the same economic, and possibly political, aspirations should take counsel together in their effort to attain shared goals. Thus, self-reliance demands that developing countries decide their own development priorities and strategies and co-ordinate them; and that they give mutual aid to increase the possibilities and prospects of advancement.

I. ACTIVITIES OF UNIDO TO PROMOTE TECHNICAL CO-OPERATION
AMONG DEVELOPING COUNTRIES

14. After the Lima Declaration and Plan of Action, which gave great importance to economic co-operation among developing countries, a separate section on Economic Co-operation among Developing Countries (ECDC) was established on 1 June 1977 in the Division of Policy Co-ordination in the Office of the Executive Director of UNIDO. The new section was charged with the responsibility of co-ordinating UNIDO activities in this area and shaping them into a single programme as well as seeking new ways of promoting economic and technical co-operation among developing countries in respect to industrialization. While there are many ways of accelerating the industrialization of developing countries through bilateral and multilateral co-operation, the thrust of the operational programmes of UNIDO on ECDC have concentrated on:

- (a) Strengthening the indigenous capabilities of the developing countries;
- (b) Fostering co-operation between developing countries in specific industrial sectors;
- (c) Promoting supportive assistance from industrialized countries and international agencies to accelerate the industrialization process in developing countries;
- (d) Increasing the awareness of the developing countries of their abilities to initiate co-operation and of the existence of industrial goods and services in developing countries that could be used appropriately in their own industrialization process.
- (e) Stimulating the Governments of the developing countries to re-orient their development policies and to break attitudinal barriers in order to obtain maximum benefit from opportunities for co-operation;
- (f) Promoting the implementation of specific projects for co-operation.

UNIDO has concentrated its efforts in this area to the provision of technical assistance to the least developed, land-locked, island and most seriously affected developing countries. With the adoption in September 1978, of the Buenos Aires Plan of Action for Promoting and Implementing Technical Co-operation among Developing Countries,^{3/} endorsed in the same year by the General Assembly, UNIDO has intensified its activities in this area.

^{3/} A/CONF.79/13/Rev.1, chap. I.

15. Even before the Lima Conference, UNIDO had initiated activities to encourage economic and technical co-operation between developing countries in the industry sector, working in close co-ordination with UNDP, the United Nations Conference on Trade and Development (UNCTAD), the United Nations regional commissions, and other bodies. Its special interest in this field began with a proposal submitted by the Government of Senegal to the first meeting of the Permanent Committee of the Industrial Development Board in December 1972 calling for an exchange of experience between developing countries in the creation or development of small and medium-scale industries. In response to the support expressed for this proposal, the UNIDO secretariat, in consultation with the Member States, suggested some initial activities; these were subsequently expanded into a programme of operational activities in response to resolution 36 (VII) adopted by the Board at its seventh session in May 1973. In that resolution, the Board invited the Executive Director "to establish as soon as possible and as a first stage, a concrete programme of operation activities for the purpose of promoting technical co-operation among developing countries, by the exchange of duly adapted technology, information and development assistance formulae in the field of industry, including small- and medium-scale industries, industrial programming, industrial financing, etc." At its eighth session in May 1974, the Board approved the programme of action proposed by the Executive Director, and, in subsequent sessions, has kept the implementation of the programme under review.

16. At its seventh session, the Board also requested the Governing Council and the Administrator of UNDP "to consider the measures necessary to encourage this new form of co-operation and technical assistance." In August 1973, the Executive Director informed the Member States that a programme was being initiated by UNDP and UNIDO to provide assistance to a few priority bilateral and multilateral co-operative activities mainly involving industrial advisory services, consultations or training. Resources from the programme for Special Industrial Services would be used to meet the costs of international travel and selected other services, but the co-operating countries themselves were expected to bear the costs normally involving only local currency expenditures such as the salaries of technical advisers, consultants and trainees, and their in-country subsistence and travel costs while on mission. Although of modest dimensions, this programme has provided a useful impetus to co-operation among

developing countries. Activities financed under this programme include inter-country study tours and consultations, seminars and other forms of training, and assistance in feasibility studies.

17. Special allocations for technical co-operation between developing countries have been included in the UNIDO Regular Programme of Technical Assistance beginning with the 1974-1975 biennium. In addition, allocations for activities in this field have been made from voluntary contributions to UNIDO and, most recently, from the United Nations Industrial Development Fund (UNIDF). Resources available, however, are not sufficient to meet the increasing demand for such activities.

18. Initially, the UNIDO secretariat surveyed areas in which developing countries could offer technical co-operation for industrial development or would welcome such offers from other developing countries. In consultation with some 40 developing countries, a preliminary list of opportunities for co-operation was issued in May 1975, including 360 specific needs and 265 specific offers of resources. Although this preliminary sample did not include information on a number of countries with important resources to offer, it nevertheless indicated a considerable potential for co-operation among developing countries in a fairly wide range of industrial fields and offered a useful basis for further development of the programme.

19. A summary table of operational activities undertaken in pursuance of the above aims from January 1973 through November 1979 is given in the annex II. Projects are classified into broad categories and the financing allocated from the various sources of funds available to UNIDO for programming is indicated. During this period, a total of 202 TCDC projects were approved, with total allocations of almost \$5.1 million.^{4/}

20. More than half of the UNIDO operational TCDC activities (101 projects with total allocations of \$1.8 million) have been various kinds of study tours, meetings and consultations for the exchange of information. These activities, usually organized with little cost and effort, represent the essential

^{4/} All references to dollars are to United States dollars.

reconnaissance required to establish a sound foundation for further co-operation; an important by-product of such exchanges is often the diminution or removal of attitudinal barriers to co-operation. Examples of such activities are:

(a) Three solidarity ministerial meetings for co-operation in industrial development were held in Afghanistan, Haiti, and the United Republic of Tanzania during 1979 (see chapter V);

(b) The Round-Table Ministerial Meeting on the Promotion of Industrial Co-operation among Developing Countries, was held at Istanbul, Turkey, in October 1979 (see paragraph 32);

(c) A group of technicians from the Seychelles undertook a study tour to India and Turkey on the establishment and operation of boatbuilding and maintenance yards, with particular reference to technology of boat construction (using wood or fibreglass);

(d) Three scientists from the Sahel Institute, Mali, went to Saltillo, Mexico, for one month to study the use of desert plants and examine the possibility of introducing this technology to countries of the Sahelian zone;

(e) A Sudanese textile delegation went to Bangladesh to study the development of the textile sector.

21. Industrialization requires the acquisition or development of both technology and skills and about a third of the TCDC operational activities (63 projects with allocations of \$2 million) are related to the transfer of technology and to technical and managerial training, including workshops and seminars. Most of the technology transfer projects and half of the training projects were approved in the last two years which partly reflects the natural result of inter-country exchanges of information in the immediately preceding years. Among projects in this category are:

(a) The International Technical Workshop on Appropriate Industrial Technology for the Control of Tropical Insect Pests and Disease Vectors, held at Nairobi in August 1979;

(b) The training of two nationals from Papua New Guinea, qualified specialists in furniture production, for a period of four months by the Department of Technical and Economic Co-operation of Thailand in furniture design, woodworking technology and wood preservation;

(c) A survey of existing food processing plants in Angola by food processing experts from Brazil and the preparation of terms of reference for their reorganization, including the establishment of a laboratory for research and quality control and of additional plants, also in co-operation with Brazil;

(d) The projected establishment of a leather quality control laboratory in Kenya with Uruguayan assistance. The project aims at upgrading leather and leather products manufacture to obtain quality standards acceptable on the international market (see paragraphs 43-44).

22. A further 16 per cent of the total allocations (\$807,000) went to TCDC projects involving the establishment or strengthening of industrial institutional infrastructure, and \$311,000 was allocated to projects involving feasibility studies such as:

(a) An international seminar held in co-operation with UNDP and the Scientific and Technical Research Council of Turkey, in Istanbul on an exchange of experience between developing countries concerning institutional arrangements to use the experience and technical capabilities of expatriate nationals; the report of this seminar was considered at the Buenos Aires Conference under agenda item 8 (h): "Measures for reducing through promotion of TCDC the 'braindrain' affecting developing countries";

(b) An expert group meeting organized in Yugoslavia, by the Yugoslav Federal Institute for International Scientific, Educational, Cultural and Technical Co-operation with the collaboration of the International Center for Public Enterprises in Developing Countries and UNIDO to analyse the role, problems and possibilities for the use of industrial consultancy services in the industrialization process of developing countries; the report and recommendations of this meeting were considered at the Buenos Aires Conference under agenda item 8 (i);

(c) A prefeasibility study undertaken in Seychelles on the establishment and operation of a boatyard and boat maintenance complex to assist the country in strengthening its boatbuilding and boatrepairing capacity.

23. In addition to direct TCDC activities, UNIDO has for some time, as part of its programme to encourage technical co-operation among developing countries, been devoting special attention to measures to make greater use of experts,

services and equipment from developing countries in its development co-operation field activities. Considerable progress has been made in the recruitment of experts: during the years 1975-1978, a total of 763 experts were recruited from over 40 developing countries, representing 30 per cent of the recruitment of UNIDO from all sources. With respect to training, while about 15 per cent of the placements of UNIDO during 1975-1977 were in developing countries the figure rose to 20 per cent in 1978. From 1975-1978, 49 consultancy contracts were placed in developing countries with a total value of \$1,976 million and 64 equipment orders with a total value of \$353,100. During the first eleven months of 1979, 14 contracts for \$2.1 million and 11 equipment orders for \$123,500 were placed in developing countries. The increase in 1979 is a clear sign that efforts have been intensified by the UNIDO secretariat to identify sources of equipment and services in developing countries and to ensure that potential suppliers in developing countries are informed of UNIDO procurement procedures and prospective projects; special missions for these purposes were undertaken by secretariat staff members to Asia and Latin America. A UNIDO consultant went to selected African countries and made recommendations on the promotion and strengthening of national industrial consultancy capabilities and on the linkage and co-operation between the consultancy institutions of developing countries. Similar missions are planned for Asia and Latin America.

24. Apart from its operational field activities, UNIDO has actively promoted co-operation between developing countries in industrialization by:

(a) Dissemination of information and exchange of ideas and experiences on specific technological problems between experts from developing countries through expert group meetings and their follow-up;

(b) Promotion of contracts and co-operation between developing countries producing certain types of industrial goods;

(c) Dissemination of information between developing countries through industrial information surveys;

(d) Distribution to developing countries of summaries of industrial plans of other developing countries;

(e) Promotion of exchanges of experience among the secretariats of regional groupings;

(f) Promotion of inter-regional and regional co-operation in specific industrial projects through investment promotion meetings at regional or sectoral levels;

(g) Promotion of exchange of information and business contacts among financing institutions of different developing regions.

25. Two major areas of UNIDO activities are of particular importance for co-operation between developing countries and should therefore perhaps be described in somewhat more detail: the first is the system of consultations and the second is the strengthening of technological capabilities in developing countries. Both received priority attention at the Second General Conference of UNIDO and subsequent sessions of the Industrial Development Board and are likely to become even more important. They offer excellent prospects for co-operation among developing countries.

26. Under the guidance of the Board, the UNIDO secretariat initiated in 1977 a series of Consultations to facilitate the redeployment of certain productive capacities existing in developed countries and the creation of new industrial facilities in developing countries. So far, consultations have been confined to iron and steel, fertilizers, leather and leather products, vegetable oils and fats, agricultural machinery and petrochemicals. The Consultations provide a forum at which all concerned can exchange views on the future global development of the industry or industrial branch, taking into account the industrial aspirations of the developing world. Although it is not their primary objective, it is expected that these Consultations will play a major role in identifying areas and specific opportunities for linkages between developing countries, especially at regional and interregional levels.

II. ENERGY AND ECONOMIC CO-OPERATION AMONG DEVELOPING COUNTRIES

27. The vital importance of energy to the industrial development process is now widely recognized and UNIDO has tried to develop energy options and policy issues that could assist the industrialization of the developing countries. The economic position of developing countries that are not oil exporters is deteriorating with the continual rise in the price of oil and refined products, which constitute the main, and in many cases the only, energy supply for the developed part of their economies. There are equally severe, but less well known, problems in the sector of traditional fuels, where deforestation and soil erosion are the main indicators because reliable statistical evidence is lacking.

28. The urgency of the problem is underlined by the fact that the conventional fossils fuels (excluding non-conventional hydrocarbons such as tar sands and oil shales), the primary sources of harnessed energy today, do not exist in sufficient quantity to sustain the global industrial system for many more years to come. Prices will continue to rise as reserves are depleted and their unequal geopolitical distribution will continue to alter the world balance of power and the bargaining position of non-producing countries.

29. Most developing countries have some kind of indigenous energy resources that could be developed (at relatively little cost in terms of potential long-term benefits that would accrue) to help ease the strain of petroleum imports, but, with a few notable exceptions, little is being done to develop these resources. Many have relatively untested potential for conventional energy development; others possess non-conventional sources, for which the extraction technology exists, and whose exploitation is fast becoming economic, given the increased prices of conventional oil, but about which little or nothing is being done. The need for technical and economic co-operation among developing countries in the energy field is therefore acute. Development of these resources requires massive investment, which should be a matter of high priority in the case of conventional oil and gas, while other resources, such as oil shale and tar sands, should be studied and evaluated.

30. A pioneering project to assist the Government of Kenya to explore possibilities of energy production from biomass is in an advanced stage of implementation by UNIDO. If successful, it could form a nucleus for launching

co-operation among developing countries that have similar resources to those of Kenya in terms of agricultural and animal products. It is encouraging to note the high priority the Government of Kenya has accorded to energy. Recently, the President of Kenya stated:

"I have decided to establish a ministry of energy to ensure that more attention is given, in a systematic and comprehensive manner, to our energy requirements. I take this opportunity to stress again to you all the importance of doing the best we can to promote economic use of energy, especially oil. This new ministry will also be expected to be very active in exploration and development of non-conventional sources of energy, especially wind, solar and biogas."

III. ROUND-TABLE MINISTERIAL MEETINGS ON INDUSTRIAL AND TECHNOLOGICAL CO-OPERATION

31. As part of the UNIDO programme of TCDC activities, a round-table ministerial meeting on industrial and technological co-operation between developing countries was held at New Delhi, India, in January 1977, under the joint auspices of UNIDO and the Government of India. This meeting produced recommendations that have provided valuable guidance to UNIDO. Areas of co-operation identified by the meeting were:

(a) Improvement of the identification and use of industrial technologies already available in the developing countries, including technical know-how and skills, machinery and equipment, design, consulting and construction capabilities;

(b) Establishment of a technology bank, to include joint purchase of technology and examination of contracts and agreements already concluded to provide guidance to others;

(c) Augmentation of the skills basic to industrial development programmes by industrial training;

(d) Establishment and strengthening of the institutional framework at the national and regional levels, to sustain industrial and technological development;

(e) Creation of programmes of co-operation on applied research and development activities in specific sectors, drawing upon machinery and capabilities already available in the developing countries and concentrating on the engineering industries, electronics, fertilizers and agro-chemicals, pharmaceuticals, chemical industries and energy;

(f) Development of plans for the use of engineering and consultancy capabilities available within the developing countries;

(g) Promotion of collective action for negotiating and bargaining for more equitable economic relationships and for technology acquisition.

32. The second Round-Table Ministerial Meeting on the Promotion of Industrial Co-operation among Developing Countries was organized by UNIDO in co-operation with the Government of Turkey, and held at Istanbul, Turkey, from 1 to 5 October 1979. The Meeting reviewed the progress made in implementing the recommendations of the New Delhi Ministerial Meeting and adopted unanimously the "Declaration of Istanbul" with a request that appropriate follow-up action be taken.^{5/}

^{5/} The Declaration has been transmitted to the Third General Conference of UNIDO as conference room paper ID/CONF.4/CRP.1.

IV. THE SYSTEM OF CONSULTATIONS AND ECONOMIC CO-OPERATION AMONG DEVELOPING COUNTRIES

33. At virtually all Consultations, the importance of sectoral co-operation between developing countries has been stressed. In the case of fertilizers, for example, upon the recommendation of the First Consultation an expert group meeting was convened by UNIDO to examine opportunities for co-operation between developing countries; its report was submitted to the Second Consultation in November 1978. The First Consultation Meeting for Iron and Steel recognized that some of the more advanced developing countries were in a position to offer trained personnel and design and engineering services and to supply certain capital goods to other developing countries. A meeting of representatives of research and development institutions engaged in the adaptation of iron and steel technology for developing countries, held at Jamshedpur, India, late in 1977, considered in detail the need for, and the scope and methods of, regional and subregional co-operation between such institutions. The preparatory meeting held at Addis Ababa in co-operation with the Economic Commission for Africa (ECA) to consolidate the position of the African countries prior to the global consultations on leather and leather products and on vegetable oils and fats provided a useful means of identifying areas for co-operation among the African countries. Similar recommendations for various forms of co-operation were made in other consultations, preparatory meetings and follow-up meetings.

34. The Consultations in themselves offer excellent opportunities for an exchange of experience and ideas between those actually engaged in planning and operating the relevant industries. They may lead to the establishment and strengthening of informal as well as institutional arrangements for intensifying practical sectoral co-operation between developing countries. Consultations at a regional level might provide a significant vehicle for regional co-operation, integration and industrial development. The effectiveness of Consultations and their follow-up at regional and subregional levels would be increased by appropriate institutional arrangements to provide focal points.

35. As a result of these activities, UNIDO will organize, in the course of 1980, in co-operation with the Government of China, a workshop on the development of the pharmaceutical industry (combined modern traditional pharmacy) for promoting TCDC; a TCDC workshop on the development of large-scale biogas technology in China; and an ECDC meeting in China in 1981 on agricultural machinery.

V. UNIDO-SPONSORED SOLIDARITY MINISTERIAL MEETINGS ON
TECHNICAL CO-OPERATION AMONG DEVELOPING COUNTRIES

36. The majority of developing countries face a chronic shortage of capital and foreign exchange notwithstanding the fact that in a few countries the principal obstacle to industrialization has been the paucity of projects developed to a stage where they would merit support by financial institutions. The financial bottleneck is likely to become increasingly severe as industrialization gathers momentum.

37. For some developing countries, Official Development Assistance (ODA) from Governments of industrialized countries is the only form of external capital available; even those that have access to other forms of capital rely considerably on ODA. This can be used for a variety of purposes connected with industrial development, hence the need for an enlarged flow of these concessionary external resources. While it is recognized that the present state of the world economy and the preoccupations of the industrialized countries with their problems of unemployment, inflation and balance of payments have been partly responsible for the short-fall in such finance, greater efforts should be made by the international community to increase the existing levels of bilateral and multilateral financial resources if the Lima target is to be achieved.

38. It is in recognition of the need for increased industrial finance, in terms of equity funds, short-term credits and long-term loans, that UNIDO has organized meetings of Ministers of Industries in the third world to discuss ways and means of providing such resources, particularly for the least-developed members of their group, within the context of TCDC. It is now recognized that the capacity of developing countries that do not produce oil to extend concessional finance to each other, or even to undertake external investment, is very limited, but the industrially more advanced of these countries have available real resources in the form of technology skills and unused capacity to produce capital equipment that other developing countries need. At present, most of their capital invested abroad goes to the industrialized countries. What is required are financial mechanisms for transferring these resources from one developing country to another in order to promote industrial development and at the same time reduce the need for expenditure

of scarce currency resources on importing goods and services from the industrialized countries. Another form of financial co-operation among developing countries would be for one country to provide technically qualified personnel who would train manpower in another developing country which would bear the local costs of the instructors. There are many other ways in which developing countries can co-operate financially, and the industrially more advanced of these countries should explore new ways by which they can help others less advanced than themselves.

39. In the Lima Declaration and Plan of Action, the international community declared its firm conviction that industry was a dynamic instrument of growth essential to the rapid economic and social progress of the developing countries, and its firm intention to promote industrial development through concerted national, subregional, regional, interregional and world measures to improve the economies of the developing countries, particularly those of the least developed countries. It also underlined self-reliance within the developing world as essential to the achievement of a new international economic order.

40. The Lima Conference and subsequent international fora on economic and industrial development recognized the interdependence of all members of the world community and the need for closer economic and technical co-operation among them, regardless of their differing economic and social systems. Subsequent to the Lima Declaration and Plan of Action, a group of ministers from the developing countries met at New Delhi, India, in January 1977, and made specific recommendations for carrying out a series of programmes whereby the more advanced members of their group could assist in the economic and industrial development of the least developed. A few months later, in November 1977, a meeting of Ministers of Industry of the Economic and Social Commission for Asia and the Pacific (ESCAP), which took place at Bangkok, decided to establish a club for co-operation among developing countries. It is in the context of these broad but basic policy initiatives that UNIDO launched the first meetings of Ministers of Industries ever held for the purpose of exploring ways in which the participating countries could co-operate in promoting the industrial development of individual least developed countries in Africa, Asia and Latin America. During 1979, three such

meetings, called Solidarity Meetings, were held in, and for the benefit of, Afghanistan, Haiti and the United Republic of Tanzania.^{6/}

41. The mechanism of co-operation adopted at the Solidarity Meetings may take any one of several forms, depending on the position of the contracting partners. It may be a loan, a grant, a joint venture or equity participation. In other cases, it may be an agreement for co-operation in training and industrial research, an exchange of information, or twinning arrangements between institutions of the contracting parties. It is proposed that every participating country make a substantial contribution in any convenient form. The co-operation may be either bilateral or multilateral. Although UNIDO would like to be associated in these arrangements if the contracting parties concerned consider that it can play a useful role, UNIDO believes that the modalities of such co-operation should be what the contracting parties agree upon for their mutual benefit.

^{6/} The reports of these meetings are available. The document symbols are: Afghanistan, UNIDO/EX.91; Haiti, UNIDO/EX.90; United Republic of Tanzania, UNIDO/EX.101.

VI. OTHER FORMS OF MOBILIZING INDUSTRIAL FINANCE TO PROMOTE
TECHNICAL CO-OPERATION AMONG DEVELOPING COUNTRIES

42. Considerable potential exists in TCDC, and the need to formulate mechanisms that would realize this potential is the main driving force behind the Solidarity Meetings. Nevertheless, multilateral co-operation between industrialized and developing countries, an aspect that was greatly emphasized in the Buenos Aires Plan of Action in which the developed countries were urged, in their economic and technical co-operation activities, to give due priority to intercountry projects and programmes at the bilateral, subregional, regional and interregional levels that promote TCDC.^{7/}

43. In the course of 1978-1979, a project was conceived by UNIDO on the establishment of a leather quality control laboratory, complete with a demonstration plant, by Kenya and Uruguay, with financial support from the Federal Republic of Germany. This project represents one way in which the flow of investment from one developing country to another can acquire a new dynamism by the involvement of an industrialized country in the provision of certain critical inputs that are not available in either developing country.

44. The unique TCDC element in this novel project is provided by the following factors:

(a) First, the Government of Uruguay has provided the services of a leather technologist from its technology laboratory (LATU) to the Government of Kenya for a period of six months at its own cost and has provided training for four Kenyan technicians at LATU in the fields of quality control, extension services and management. The total cost to the Government of Uruguay is \$35,000;

(b) Secondly, the Government of the Federal Republic of Germany provided funds to the UNIDO Industrial Development Fund as a special purpose contribution of \$300,447 to finance the cost of experts, travel of trainees, and purchase of equipment;

(c) Thirdly, the Government of Kenya provided other inputs in kind and money to the equivalent of \$220,000 (KS 1,535,000 million).

^{7/} A/CONF.79/13/Rev.1, chap. I, para. 60 (d).

45. Some industrialized and developing countries are willing in principle to promote joint ventures in a third country, within the context of TCDC. The international community should support such tripartite ventures that are based on the availability of raw materials in one country, the supply of skilled manpower in another and the technology and capital from an industrialized country. Steps to identify such areas of co-operation and to implement in practice what has been accepted in principle could help many developing countries to overcome financial hurdles and set up more economic industries than they could by relying exclusively on bilateral financial flows. Different capabilities in technology, manpower, finance and other resources to implement projects in developing countries through co-operation between three or more industrialized and developing countries should be taken advantage of.

46. Another way in which industrial finance could be mobilized to promote TCDC is through the existence of state-owned enterprises in developed countries or in some of the more developed among the developing countries, whose principal purpose is to undertake investment in developing countries. That could act as a catalyst for foreign private investment. In this connexion, the industrialized and developing countries should further examine ways in which their state-owned corporations, as well as private enterprises, could help the process by bringing about mutually beneficial collaborative arrangements.

47. A third important step would be for the industrialized countries to devise ways to mobilize the capabilities of their medium- and small-scale manufacturing enterprises to assist in the industrialization of developing countries. This they could do by taking action to provide:

(a) Information on general economic conditions and specific industrial investment opportunities in developing countries;

(b) Technical assistance by seconding technical, marketing and managerial personnel;

(c) Part of the financing on appropriate terms and conditions for pre-feasibility studies;

(d) Part of the loan finance for any joint venture that might be concluded.

48. One mechanism for mobilizing finance for TCDC would be the establishment of investment promotion offices by and in the industrialized countries. UNIDO has already undertaken steps in this direction by the establishment of such offices at Brussels, Cologne, New York, Vienna and Zurich.

Annex I

MEASURES TO PROMOTE CO-OPERATION BETWEEN
DEVELOPING COUNTRIES

The following text is quoted from the Lima Declaration and Plan of Action:

" 60. At the subregional, regional and interregional levels the developing countries should adopt the following measures:

(a) Promotion of direct trade between developing countries in order to substantially improve the share of developing countries in international trade in finished products, to eliminate any adverse effects resulting from triangular trade, and to establish appropriate mechanism to that end;

(b) Creation of the necessary institutional machinery to enable consultation and co-ordination in order to obtain better terms for the acquisition of technology, expertise, licences, equipment, etc., for the developing countries;

(c) The harmonization and co-ordination of economic policies, particularly in the industrial field, and the greater utilization of industrial complementarity, taking into account economy of scale and specialization. This complementarity must be based primarily on the possibilities and requirements of each country through the establishment and strengthening of consultation machinery at the regional, subregional and interregional levels in order that it may result in a harmonious, balanced and more rapid industrial development in the community of developing countries;

(d) In order to accelerate the industrial development of the least developed countries and in order to promote co-operation among developing countries, the Conference invites the developing countries' main producers and exporters of basic raw materials to grant, within the framework of their over-all economic policy and/or bilateral arrangements, favourable conditions, and in particular favourable facilities for payment;

(e) Measures, within the framework of systems of economic co-operation, to support the present processes of economic integration and search for new forms of economic co-operation with a view to contributing to a steady growth of the world economy and to the acceleration of the development of the developing countries, notably through the action of producers' associations of the developing countries, by means of a continuous exchange of experience, harmonization of their actions and mobilization of support for any of them in case of need, so as to ensure, *inter alia*, the solidarity of developing countries and their full sovereignty over their natural resources;

(f) In particular, action through producers' associations with a view to putting an end to speculative practices and erratic movements in prices, harmful to the harmonious development of world trade and the growth of the developing countries. The developing countries can thus use existing or future producers' associations to co-ordinate their production and pricing policies. Furthermore, the developed countries note the intention expressed by the developing countries to set up, among themselves, a fund, yielding returns on the capital invested therein, designed to support the prices of raw materials exported by developing countries and, in particular, to counteract measures aimed at bringing down the prices of raw materials exported by the developing countries;

(g) Developing countries with sufficient financial resources accept to share in the economic and social development efforts of the least advanced countries. For this purpose, consideration must be given to the establishment of appropriate mechanisms for regular consultation with a view to adopting new concrete measures;

(h) The consolidation of the relevant measures for evaluating the International Development Strategy and the Programme of Action on the Establishment of a New International Economic Order;

(i) Conclusion of long-term agreements on product specialization, as deemed appropriate by the respective countries or regional economic associations, and a corresponding allocation of production or product-sharing through industrial complementary agreements;

(j) The adoption of suitable measures and the strengthening of those now in use for the benefit of the least developed, land-locked or island developing countries and for the developing countries most affected by the international economic crisis and those that have been affected by natural disasters;

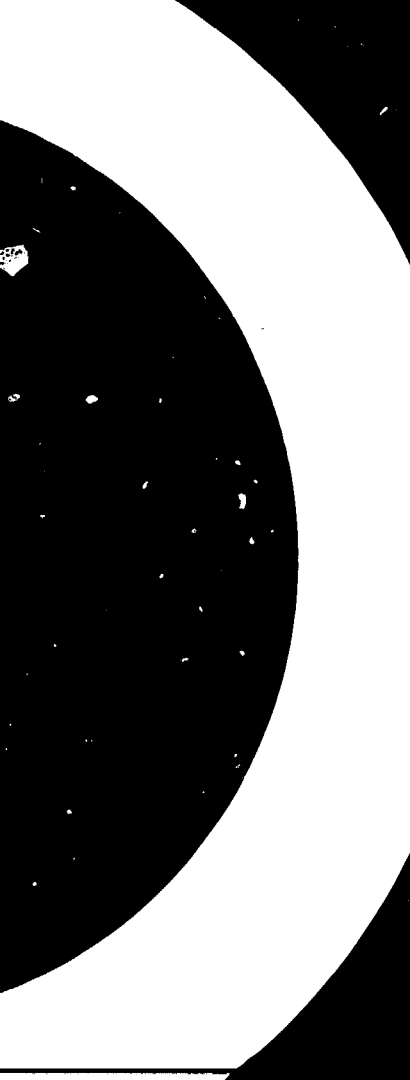
(k) The sharing of experience in industrialization and technology by those who have already acquired this know-how, together with experience in the application of legislative machinery in the economic field in order that it may be widely known among developing countries. This knowledge may be of greater relevance than that which is acquired from highly developed areas. While a start has been made in co-operative arrangements, more intensive and innovative programmes are required for transmitting relevant technology and technical and managerial skills, particularly to the less industrialized countries within the region, through the establishment of regional and subregional institutional machinery. The experience shared should include experience in dealing with foreign investment and transnational corporations, with a view to harmonizing and co-ordinating policies in this respect. To this effect, UNIDO should implement and expand its programme in this area;

(l) Preference should be given by the more industrialized developing countries, as far as possible, to imports of goods produced by the less industrialized countries. Positive policies are needed to increase intra-regional and inter-regional trade in manufactures;

(m) The creation of national, regional, and interregional enterprises in the field of maritime transport, capable of competing with enterprises in the developed countries and the transnational corporations' merchant fleets, with a view to promoting the development of trade between developing countries, facilitating the assumption of control of foreign trade by national, regional or interregional structures and improving the export returns of the developing countries;

(n) Strengthening regional institutions responsible for the promotion of economic co-operation between developing countries."





SUMMARY OF UNIDO TCDC PROJECTS^{a/}

Project category and source of financing	1973-1974		1975		1976		1977		1978		1979		Total	
	Number of projects	UNIDO input (\$)	Number of projects	UNIDO input (\$)	Number of projects	UNIDO input (\$)	Number of projects	UNIDO input (\$)	Number of projects	UNIDO input (\$)	Number of projects	UNIDO input (\$)	Number of projects	UNIDO input (\$)
A. In-or-country														
<u>Study Tours</u>														
RP	1	2 000	-	-	2	3 200	5	13 956	16	95 931	9	75 391	33	191 100
VC/UNIDF	2	67 500	-	-	1	36 000	-	-	-	-	-	-	3	103 500
UNDP/SIS	-	-	1	3 200	-	-	-	37 005	-	-	-	-	-	40 205
SIS Trust Fund	5	11 750	-	-	5	15 600	-	-	-	-	-	-	11	27 350
UNDP/IPF	-	-	-	-	-	-	-	-	-	-	-	-	-	-
At no cost to UNIDO	-	-	1	-	1	-	1	-	-	-	-	-	3	-
TOTAL	9	81 350	2	3 200	9	55 430	16	50 961	16	95 931	9	75 391	52	369 863
B. Inter-Country														
<u>Consultations</u>														
RP	-	-	-	-	1	3 200	1	5 200	1	1 610	1	67 400	4	77 127
VC/UNIDF	2	92 970	3	13 400	5	200 550	6	213 190	12	674 091	1	59 350	21	1 373 614
UNDP/SIS	-	-	-	-	-	-	1	2 700	-	-	-	-	1	2 700
SIS Trust Fund	-	-	-	-	1	7 200	-	-	-	-	-	-	1	7 200
UNDP/IPF	-	-	-	-	-	-	-	-	-	-	-	-	-	-
At no cost to UNIDO	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	2	92 970	3	13 400	7	251 350	8	221 650	12	675 701	2	125 750	26	1 469 779
C. Seminars														
RP	1	20 000	3	37 000	-	-	-	-	1	220	2	19 000	1	97 110
VC/UNIDF	1	30 000	-	-	-	-	-	-	1	100 200	1	67 310	3	197 510
UNDP/SIS	-	-	-	-	-	-	-	-	-	73 150	-	-	1	73 150
SIS Trust Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-
UNDP/IPF	-	-	-	-	-	-	-	-	-	-	-	-	-	-
At no cost to UNIDO	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	2	50 000	3	37 000	-	-	-	-	3	143 650	3	147 260	5	337 510
D. Training														
RP	-	-	1	45 000	-	-	2	5 200	1	13 160	1	17 300	9	33 100
VC/UNIDF	-	-	-	-	-	-	1	17 650	1	34 500	2	236 700	6	266 040
UNDP/SIS	1	40 500	1	25 800	-	-	2	3 650	-	-	1	7 430	5	77 780
SIS Trust Fund	-	-	-	-	1	700	-	-	-	-	-	-	1	700
UNDP/IPF	-	-	-	-	-	-	-	-	-	-	-	-	-	-
At no cost to UNIDO	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	1	40 500	2	26 250	1	700	5	23 550	6	47 660	6	259 039	11	397 710
E. Technology														
<u>Transfer</u>														
RP	-	-	1	2 000	2	3 980	3	6 975	3	9 995	2	31 750	11	53 710
VC/UNIDF	1	2 350	2	49 000	-	-	6	181 022	2	645 240	2	286 350	13	1 163 962
UNDP/SIS	-	-	-	-	-	-	1	6 920	1	12 600	1	5 600	3	25 320
SIS Trust Fund	-	-	-	-	1	900	-	-	-	-	-	-	1	900
UNDP/IPF	-	-	-	-	-	-	1	20 000	-	-	-	-	1	20 000
At no cost to UNIDO	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	1	2 350	3	51 000	3	4 080	11	214 927	6	666 835	5	323 900	29	1 263 892
F. Institutional Infrastructure														
RP	-	-	-	-	1	944	1	6 700	2	76 720	3	32 375	7	116 739
VC/UNIDF	-	-	-	-	3	121 120	1	25 550	6	511 650	-	-	10	661 320
UNDP/SIS	-	-	-	-	-	-	2	19 100	1	9 000	-	-	3	28 100
SIS Trust Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-
UNDP/IPF	-	-	-	-	-	-	1	1 040	-	-	-	-	1	1 040
At no cost to UNIDO	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	-	-	-	-	4	125 064	5	52 390	9	597 370	3	32 375	21	807 199
G. Feasibility Studies														
RP	-	-	-	-	-	-	-	-	2	28 500	1	10 482	3	38 982
VC/UNIDF	-	-	1	17 500	-	-	-	-	1	62 586	-	-	2	80 086
UNDP/SIS	-	-	-	-	-	-	1	66 400	-	-	1	25 000	2	91 400
SIS Trust Fund	1	648	-	-	-	-	-	-	-	-	-	-	1	648
UNDP/IPF	-	-	-	-	1	100 000	-	-	-	-	-	-	1	100 000
At no cost to UNIDO	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	1	648	1	17 500	1	100 000	1	66 400	3	91 086	2	35 482	5	111 118

C. Machinery														
RP	1	50 000	3	30 000	-	-	-	-	220	2	19 090	7	91 117	
VC/UNIDP	-	-	-	-	-	-	-	-	100 270	1	67 310	5	197 590	
UNDP/SIS	-	-	-	-	-	-	-	-	23 150	-	-	-	23 150	
SIS Trust Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	
UNDP/IPF	-	-	-	-	-	-	-	-	-	-	-	-	-	
At no cost to UNIDO	-	-	-	-	-	-	-	-	-	-	-	-	-	
TOTAL	2	50 000	3	30 000	-	-	-	-	143 650	3	187 200	13	337 557	
D. Training														
RP	-	-	1	450	-	-	2	5 250	5	13 167	1	14 320	9	33 117
VC/UNIDP	-	-	-	-	-	-	1	14 650	2	34 500	2	236 709	6	216 047
UNDP/SIS	1	40 500	1	25 800	-	-	2	3 652	-	-	1	7 430	5	77 783
SIS Trust Fund	-	-	-	-	1	700	-	-	-	-	-	-	700	
UNDP/IPF	-	-	-	-	-	-	-	-	-	-	-	-	-	
At no cost to UNIDO	-	-	-	-	-	-	-	-	-	-	-	-	-	
TOTAL	1	40 500	2	26 250	1	700	5	23 562	6	47 667	6	259 039	21	397 718
E. Technology														
Transfer	-	-	1	2 000	2	3 980	3	6 905	3	8 995	2	31 750	11	53 710
VC/UNIDP	1	2 350	2	49 900	-	-	6	181 022	2	645 240	2	236 350	13	1 153 962
UNDP/SIS	-	-	-	-	-	-	1	6 920	1	12 600	1	5 600	3	25 320
SIS Trust Fund	-	-	-	-	1	900	-	-	-	-	-	-	900	
UNDP/IPF	-	-	-	-	-	-	1	20 000	-	-	-	-	20 000	
At no cost to UNIDO	-	-	-	-	-	-	-	-	-	-	-	-	-	
TOTAL	1	2 350	3	51 000	2	4 880	11	214 927	6	666 835	5	323 500	29	1 263 892
F. Institutional Infrastructure														
RP	-	-	-	-	1	944	1	6 700	2	76 720	3	32 375	7	116 739
VC/UNIDP	-	-	-	-	3	124 120	1	25 550	6	511 650	-	-	10	661 320
UNDP/SIS	-	-	-	-	-	-	2	19 100	1	9 000	-	-	3	28 100
SIS Trust Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	
UNDP/IPF	-	-	-	-	-	-	1	1 040	-	-	-	-	1	1 040
At no cost to UNIDO	-	-	-	-	-	-	-	-	-	-	-	-	-	
TOTAL	-	-	-	-	4	125 064	5	52 390	9	597 370	3	32 375	21	807 199
G. Feasibility Studies														
RP	-	-	-	-	-	-	-	-	2	28 500	1	10 482	3	38 982
VC/UNIDP	-	-	1	17 500	-	-	-	-	1	62 588	-	-	2	80 088
UNDP/SIS	-	-	-	-	-	-	1	66 400	-	-	1	25 000	2	91 400
SIS Trust Fund	1	648	-	-	-	-	-	-	-	-	-	-	1	648
UNDP/IPF	-	-	-	-	1	100 000	-	-	-	-	-	-	1	100 000
At no cost to UNIDO	-	-	-	-	-	-	-	-	-	-	-	-	-	
TOTAL	1	648	1	17 500	1	100 000	1	66 400	3	91 088	2	35 482	9	311 118
H. Other inter-Country Activities														
RP	-	-	-	-	1	8 000	1	10 000	3	1 310	-	-	5	19 310
VC/UNIDP	-	-	-	-	-	-	-	-	1	45 000	2	62 460	3	107 460
UNDP/SIS	-	-	-	-	-	-	-	-	-	-	-	-	-	
SIS Trust Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	
UNDP/IPF	-	-	-	-	-	-	-	-	-	-	-	-	-	
At no cost to UNIDO	-	-	-	-	-	-	-	-	-	-	-	-	-	
TOTAL	-	-	-	-	1	8 000	1	10 000	4	46 310	2	62 460	8	126 770
All categories														
RP	2	22 000	5	40 450	7	20 050	13	40 507	33	226 450	24	270 820	34	628 281
VC/UNIDP	2	192 935	6	149 600	9	400 573	17	434 425	26	2 063 349	10	712 399	73	3 913 611
UNDP/SIS	1	40 500	2	29 000	-	-	15	135 926	3	64 750	3	36 630	24	306 506
SIS Trust Fund	7	19 398	-	-	2	24 400	-	-	-	-	-	-	15	43 798
UNDP/IPF	-	-	-	-	1	100 000	2	21 040	-	-	-	-	3	121 040
At no cost to UNIDO	-	-	1	-	1	-	1	-	-	-	-	-	3	-
TOTAL	10	274 833	14	219 050	26	545 427	45	639 893	62	2 374 549	37	1 021 840	202	5 075 606

Note: RP = Regular Programme of Technical Assistance; VC = Voluntary Contributions; UNIDP = United Nations Industrial Development Fund; UNDP = United Nations Development Programme; SIS = Special Industrial Services; IPF = Indicative Planning Figure.

