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**A PROGRAMMING STRATEGY
FOR UNIDO SUPPORT OF
INDUSTRIAL DEVELOPMENT
IN THE ARAB REGION***

Prepared by

Arab Countries Programme
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CONTENTS

	Page
Preface	4
Introduction	6
A. The industrial scene in the Arab region	6
B. International developments	9
C. The new reorientation and prioritization of UNIDO activities	11
I. REVIEW OF THE ACTIVITIES OF THE SPECIAL PROGRAMME IN THE ARAB REGION	13
A. Background	13
B. UNIDO activities in the Arab region	16
II. REVIEW OF ACTIVITIES OF SUBREGIONAL AND REGIONAL ORGANIZATIONS	19
A. Industrial development organizations	19
B. Regional cooperation organizations	20
C. Funding agencies	21
III. SOME BASIC CONSIDERATIONS IN FORMULATING REGIONAL AND COUNTRY STRATEGIES FOR THE ARAB REGION	21
A. Geographical scope of activity	21
B. New needs	23
C. New approaches	25
IV. PROGRAMMING STRATEGY	27
A. A framework	27
B. Analysis of priorities	28
C. The programming strategy	29
V. FROM STRATEGY TO PROGRAMMES/PROJECTS	34
VI. REGIONAL LEVEL	37
VII. CONCLUSION	39

Preface

The point of departure of the present paper is the UNIDO Director-General's definition of strategy as a conceptual framework within which integrated programming is carried out.¹ More generally speaking, a strategy is a guide to action that is basically future-oriented and anticipatory. It makes reasonable assumptions about ongoing and forthcoming changes and developments and proposes broad guidelines for action that is best suited to the expected changes.

The present paper starts, in common with the rules of strategic thinking, by highlighting the more significant changes, ongoing or expected, within the Arab region and worldwide.

The next step in strategy formulation is to identify strengths and weaknesses, so that structural adjustments called for by the new challenges and orientations are clearly indicated. The paper does not do this in depth. While it hints at the complexity of procedures within which programmes and projects are planned (see second paragraph of the conclusion), it makes no mention of personnel requirements or changes in field representation in the Arab region.

In section III, the present paper sets out some basic considerations in formulating a strategy for the region:

- A clear definition of the geographical scope within which activities are planned
- A set of new needs
- Some new approaches

As for the strategy itself, the paper articulates a framework - within which planning is carried out, either consciously or implicitly - which is a five-dimensional matrix, consisting of:

- The major socio-economic sector that the industrial activity is supporting
 - The industrial subsector of UNIDO activity
 - The field of activity (e.g. policy formulation, institution building)
 - The type of activity (e.g. training, consultation, publications)
 - The geographical scope (not just subregional, regional or national)
-

The present paper suggests that it would be useful to keep this framework in mind (see last paragraph of the conclusion) in formulating strategies for the Arab region.

The paper ends with a discussion of how regional strategies could be linked to subregional and national strategies and programmes and projects formulated within this complex framework, with particular emphasis on activities at the regional level.

The strategy proposed suggests that the following six objectives should be given priority and kept in mind when planning:

- (i) Supporting the process of privatization and private-sector development;
- (ii) Improving the competitiveness of Arab industry in local and world markets;
- (iii) Promoting environmentally sound industrial development;
- (iv) Creating new employment opportunities;
- (v) Developing industrial services;
- (vi) Supporting regional cooperation.

Under each priority objective, examples are listed of UNIDO activities that address the needs on the basis of the Organization's existing or potential capabilities.

A final part attempts to link the strategy with operations in a practical manner. The paper ends with four remarks on:

- The need for careful monitoring
 - The organizational implications of the strategy
 - The issue of demand-driven programming
 - Planning within the proposed framework
-

INTRODUCTION

The Special Programme for Industrial Development in the Arab Countries, including technical assistance to the Palestinian people, is now poised - after six years of first-phase operations - to move on and develop a coherent strategy for its future activities, whether at the subregional, regional or national level, as well as specifically at the level of the least developed countries in the Arab region. Such a strategy needs to be based on:

- Developments in the region, particularly on the industrial scene
- Worldwide developments
- UNIDO experience, its comparative advantages and the recent restructuring process
- Past experience in planning and implementing activities of the Special Programme
- Cooperation with Arab and non-Arab organizations involved in industrial development and its supporting activities

A. The industrial scene in the Arab region

The first part of the present paper sets the scene by reviewing these basic aspects before proceeding to formulate a strategy for the next phase of operations of the Special Programme.

Arab industrial development over the last few decades shows many of the attributes common to other parts of the third world (e.g. adoption of an import substitution strategy, reliance on massive technology imports mostly in turnkey contracts, shortage of skills at many levels of industrial responsibility). These factors have generally resulted in low productivity, uneven quality of products and low returns on industrial investment. However, some particular attributes are highlighted below as a necessary background for the formulation of sound approaches to the rehabilitation of the industrial sector in the Arab region, and more specifically in identifying UNIDO activities, at the subregional and regional levels, to provide effective support for such rehabilitation efforts.

Three groups of countries

The Arab region includes some of the wealthiest countries (with GNP per capita exceeding US\$ 20,000 in one case), as well as a number of least developed countries with a GNP per capita lower by several orders of

magnitude (around US\$ 10 in one case). A middle group has an older and diversified industrial base. While all three groups have some common problems for which a regional activity is appropriate, each subgroup has its own specific problems that distinguish it from the others. These call for additional subregional and more sharply focused activities at the national level to suit each group or country.

Public-sector ownership

The public sector has been, and still is, responsible for the greater part of industrial investment, employment and output. This is as true of the relatively rich oil economies in the first group as it is of the other two groups. Public ownership, coupled with counter-productive bureaucratic control, has imposed severe constraints on industrial enterprises, resulting in low, and sometimes negative, returns on investment, drastically curtailed competitiveness and substantial inventories of finished products for which there was no market.

Industrial pollution

Industrial pollution has been steadily building up over the years. It has now become a major concern and health hazard in most Arab countries. Obsolete and highly polluting technologies continue to be used, particularly in less rich countries, and sometimes beyond their nominal lifespans. Equipment is often neither well maintained nor operated at optimal conditions. Additional investments, either for the treatment of polluting discharges, or for the procurement of cleaner technologies, are not available. There is little understanding or experience of modern low-cost pollution prevention approaches that combine environmental with economic benefits.

Foreign exchange flows

With the dramatic increases in oil prices in the 1970s and early 1980s, the region has enjoyed substantial inflows of foreign currencies. This has encouraged a massive migration of skilled labour to operate the new industries being established in the oil-rich countries and deprived industrial enterprises in the rest of the region of its best qualified workforce. Furthermore, the resulting siphoning of some of the foreign exchange flows has encouraged a wave of consumerism in the not-so-rich countries resulting in higher imports of foreign manufactured goods of better quality than national products.

Political tensions

Political tensions (the Arab-Israeli conflict and the two wars in the Persian Gulf, as well as lesser intraregional and internal conflicts) have had an unfavourable impact on the overall development of the region. Considerable resources were diverted to finance the substantial defence and security expenditures. In some countries, the infrastructural services, essential for industrial development, deteriorated considerably. A substantial portion of qualified personnel was also drafted to the defence sector, and the very industrial product mix was changed in some cases to suit defence needs. More generally, severe constraints were imposed on intraregional cooperation. Most of the budding subregional or regional initiatives and joint ventures, which were of a top-down nature, were stymied in this unfavourable climate.

Structural adjustment

With the sharp reductions in oil prices starting in the middle of the 1980s, and the consequent dramatic rise in the foreign debts of all countries in the region, including the oil-rich countries, most countries were forced to enact far-reaching structural adjustment programmes. The first phase of such programmes usually means an introduction of severe deflationary measures. This has brought into sharper focus the problems of the industrial sector in the region and the urgent need for drastic restructuring, away from import substitution, subsidies, price distortions, and protectionism and emphasizing world market prices of industrial inputs and outputs, high productivity and comparative advantage on world markets.

Political and mercantile cooperation

On a more positive note, the region has witnessed in the last few years attempts at reducing the level of political tensions with the initiation of the peace process to resolve the long-standing Arab-Israeli conflict. The Middle East and North Africa Economic Summit held at Casablanca from 30 October to 1 November 1994, and marking a partnership of government and business leaders, highlighted the need to reinforce peace initiatives "by solid economic growth". The Summit explored ways and means of overcoming obstacles to trade and investment and of promoting the free movement of goods, capital and labour, as well as technical cooperation based on mutual interest. Should these initiatives gather momentum and take root, they are bound to have a dramatic impact on industrial development in the region.

B. International developments

The swift and profound technological and political changes that the world has undergone recently have been reviewed and discussed on many occasions and need not be reiterated here. Such changes bring with them a combination of threats to be averted and opportunities to be grasped. However, it is again necessary in the context of the present paper to draw attention to certain aspects of the changing world scene that are particularly relevant to the formulation of subregional and regional programmes of activities for UNIDO to carry out in the Arab region.

Privatization

The tendency worldwide is to diminish the role of the State as owner/operator and to emphasize its role in policy formulation and as the facilitator, regulator and sometimes, forceful guide in a market economy. This has meant relying increasingly on the private sector in almost all sectors of national endeavour, both in developed and developing countries. While the process of privatization has been relatively smooth in countries that had well-established market economies, the process becomes much more difficult, particularly in the industrial sector, in economies where the State was a major player, the private sector is weak and inexperienced, and the institutional and legal framework for a fair and stable market economy does not exist, or is incomplete (e.g. investment banks, stock exchange control, and mechanisms for monitoring dumping or benefiting from GATT grace periods). This is very much the case in almost all Arab countries, even though privatization has been to some extent easier in some of the oil-rich countries.

Foreign investment

The removal of restrictions on capital movement globally and the resulting easy flow of capital to locations offering relative advantages has resulted in much greater opportunities for foreign investment in developing countries with remarkable benefits in the industrial sector in some of these countries (e.g. South-East Asia). However, recent events have highlighted the volatile nature of foreign investment, in the so-called emerging markets. Withdrawal of such capital flows at short notice, at the slightest sign of political tension, causes serious exchange-rate and inflation problems. Industrial investment is, by its very nature, long term and not suited to such volatile inflows of foreign capital. In general, foreign investment in Arab industry has proved to be more dependent on political stability in the region than on the many lucrative incentives currently being offered in many countries.

Regional blocs

The creation of regional blocs is gathering momentum worldwide. Such blocs aim at maximizing the benefits of the complementarities that exist between the member countries, so as to achieve improved productivity and competitiveness in world markets. This trend brings to the fore two basic issues. On the one hand, it is more difficult for exporters from outside the bloc to penetrate such integrated markets and to find a suitable niche where the exporter has a competitive advantage. Any move in the region away from import substitution, in the narrow sense restricted to the local market at the scale of one country, and towards an export orientation has to reckon with this new phenomenon in its efforts to promote exports. On the other hand, this move to establish regional blocs should prove to be a powerful impetus to exploit the obvious complementarities in the region and to revive past efforts to create an Arab common market. If, as mentioned earlier, previous top-down approaches have failed for political reasons, perhaps a new bottom-up approach spearheaded by the private sector will prove to be more successful in withstanding the test of time and achieving this long-sought-after objective.*

Furthermore, the current and planned regional blocs are built around a core of one or, more usually, a group of industrialized countries of substantial economic strength, technological capability and sizeable shares of world trade. A purely Arab regional bloc will not have such a core of economic-technological strength, a fact that has to be taken into consideration in establishing an Arab economic bloc and in developing strategic alliances with neighbouring countries, or expanding the scope of the bloc.

Globalization

The so-called globalization of production is based on the modularization of products; i.e. dividing a product into a number of components, or modules, produced in a network of geographically dispersed production facilities, in order to benefit from local advantages of one type or the other. The modules are then shipped to a central facility for assembly. This is as true today of traditional, labour-intensive industries as it is of hi-tech industries.

* Already The Great Arab Company for Development and Investment has been established by a group of leading Arab executives from a number of Arab countries. It plans to operate on a regional scale, establishing a series of industrial enterprises based essentially on the complementarity of endowments and markets in different countries.

Experience in the region has already shown that those enterprises that have been able to establish high productivity, quality control and just-in-time delivery systems at competitive prices can join such global production networks with obvious technological and economic advantages.*

Given its historical background and the changes in the global scene, the Arab region is at present expected to undergo qualitative changes in many ways. In the rehabilitation of the industrial sector, these changes involve:

- (a) Privatizing industrial enterprises;
- (b) Achieving quantum leaps in productivity, product design, production technologies, quality control and marketing;
- (c) Making a concerted effort to promote environmentally sound industrial activities throughout the region;
- (d) Emphasizing export promotion;
- (e) Establishing or completing the institutional and legal framework for a sound market economy;
- (f) Establishing a common market for regional investment and industrial products.

C. The new reorientation and prioritization of UNIDO activities

In response to worldwide forces of political, economic and technological change, UNIDO undertook an extensive review of its operations and structure, resulting in a restructuring programme that was presented by the Director-General to the fifth session of the Organization's General Conference, held at Yaoundé in December 1993.

The report² notes that amongst the key themes to which industrial decision makers across the developing regions have accorded priority in enhancing industrial development, were:

* Existing examples can be found in the region in the defence, aerospace, engineering and informatics industries.

- (a) Maintaining or creating an enabling policy and institutional environment for sustained industrial development and international competitiveness;
- (b) Emphasizing the role of the private sector as the main agent for industrial development, the privatization of existing public sector enterprises in significant numbers, and the stimulation of new private investment through the creation of a conducive business environment;
- (c) Promotion of foreign investment and technology;
- (d) Attaching greater significance to the developmental role of small and medium enterprises, both as agents of employment generation, rural industrialization and poverty alleviation, as well as in creating efficient interlinked industrial systems;
- (e) Renewed emphasis on intraregional industrial integration and trade, investment and technological issues;
- (f) General awareness of the environmental impact of industrial development and the need to ensure the long-term environmental sustainability of industrial development;
- (g) Increased participation of women in industrialization.

The report states that the proposals for restructuring are based, *inter alia*, on the role of industrial development within the context of broader development objectives. Five specific and interlinked development objectives were identified:

- (a) Industrial and technological growth and competitiveness;
- (b) Development of human resources for industry;
- (c) Equitable development through industrial development;
- (d) Environmentally sound industrial development;
- (e) International cooperation in industrial investment and technology.

One of the comparative advantages of UNIDO mentioned in the report is the synergy derived from its ability to work at the level of all the three main target groups (Governments, institutions and enterprises). One remark made in the report in this context, and that is particularly relevant in view of the priority being given by decision-makers worldwide to the role of the private sector in industrial

development, is that in the past most enterprise-based services of UNIDO involved publicly owned enterprises. It concludes that the Organization must now include work at the level of the increasingly deregulated and privatized enterprise if it is to remain professionally competent at the level of the other two target groups. The report draws attention, further, to the need to formulate criteria and to devise approaches that ensure that direct assistance to enterprises does not result in unfair competition and individual appropriation of benefits.

The Yaoundé Declaration adopted by the General Conference unanimously approved the far-reaching reform programme, reiterating that the major means for achieving UNIDO objectives remain investment promotion, technology transfer, development of human resources, and the creation of an enabling environment, both nationally and internationally, for industrial growth and competitiveness.

I. REVIEW OF THE ACTIVITIES OF THE SPECIAL PROGRAMME IN THE ARAB REGION

A. Background

At its fifth session in July 1989, the Industrial Development Board adopted decision IDB.5/Dec.26, by which it decided to establish a special programme designed to promote industrial development in the Arab countries, with special emphasis on regional priority subsectors, and on the least developed Arab countries and to strengthen the existing programmes of UNIDO in the region. The preamble of the decision stressed the importance of strengthening the relations between UNIDO and specialized Arab organizations, in particular the Arab Industrial Development Organization.

In the spirit of establishing closer relations with the specialized Arab organizations, UNIDO commissioned the Arab Industrial Development and Mining Organization (AIDMO) to prepare a detailed report outlining a special programme. The programme proposed had two components. The first was a set of regional activities addressing the needs of the region as a whole, while the second was a set of activities at the national level to serve the Arab least developed countries. The report did not provide descriptions of each of the six priority areas it proposed, nor the priority of each. It recommended that, after the adoption of a preparatory phase of the programme, those components should be translated into action-oriented programmes.

In 1991, the General Conference in its resolution GC.4/Res.5, requested the Director-General to ensure that the programme addressed the following priorities:

- (a) Training and development of human resources;
-

- (b) Standardization and quality control;
- (c) Development of technological functions and capacity;
- (d) Marketing and trade in industrial products;
- (e) Agro-industries and agro-based industries.

These priorities are in general agreement with the recommendations of the AIDMO report with one exception: agro-industries replaces the priority item of industrial information that appeared in the AIDMO report.

The first meeting of the collaborating organizations for the Special Programme was hosted by the League of Arab States in November 1992 and concluded agreements on three cost-sharing regional projects:

- Technical assistance for existing industrial establishments and efficiency improvement, covering three countries and the occupied territories
- Quality manuals for three industries
- Status and development of the sugar industry in the region

In July 1993, the Industrial Development Board in its decision IDB.11/Dec.12 requested the Director-General to assist in convening the second inter-agency meeting of Arab and international organizations by the end of January 1994 to discuss:

- A new set of project documents
- More effective modalities of mobilization of financial resources
- The review of the priority areas of the Special Programme, as recommended by the recent meeting of Arab organizations held at Rabat.

The General Conference of UNIDO, at its fifth session, held in December 1993, adopted resolution GC.5/Res.13 requesting the Director-General to orient the Special Programme activities towards eight priority areas:

- (a) Human resource development;
 - (b) Development of national and regional technological capabilities;
 - (c) Upgrading the competitiveness of industrial products;
-

- (d) Standardization and quality control;
- (e) Industrial management information;
- (f) Food security through the development of agro-industries;
- (g) Promotion of the private sector, industrial rehabilitation and investment activities;
- (h) Sustainable industrial development through energy conservation and environment protection.

Although no second inter-agency meeting was held in January 1994, as originally planned, a joint UNIDO/ESCWA/AIDMO meeting was held in Vienna in February 1994. The meeting agreed that the above-mentioned eight priority areas adopted at the fifth session of the General Conference should constitute the basic framework of joint activities. Within these broad objectives, emphasis would be placed on:

- (a) Managerial and entrepreneurial development enabling the training and upgrading of skills of large numbers of local entrepreneurs, particularly small and medium-size industries, thus assisting productive investment and absorption of technology;
- (b) Development of industrial information systems related to monitoring, analysis and forecasting of industrial activities in the region utilizing and upgrading, to the maximum extent possible, existing information facilities in the region;
- (c) At the national level, assistance in the development of private sector institutions to provide support services;
- (d) Assessing the impact of the Uruguay Round Agreements on the competitiveness of Arab industries and products.

The meeting agreed further that the modalities of cooperation between the three organizations would include:

- (a) Systematic exchange of visits, in particular at the technical level;
 - (b) Planning of joint activities;
 - (c) Timely exchange of information on the work programmes of each of the three organizations;
-

- (d) Joint efforts to mobilize resources for industrial development in the region.

From the above review, a number of points emerge, as follows:

- (a) The Special Programme is quite young; it is barely six years old;
- (b) Within this relatively short span of time, the Programme has witnessed a sequence of differing formulations of its objectives and priorities. It was only at the end of 1993 that a definite set of priorities was proposed at the fifth session of the General Conference and adopted by the other two collaborating organizations (AIDMO and ESCWA), neither of which is a funding agency;
- (c) Within the four broad objectives, the three collaborating organizations (AIDMO, ESCWA and UNIDO) seem to have granted priority at the regional level, at least for the time being, to managerial and entrepreneurial development, together with the development of industrial information systems and the impact of the Uruguay Round Agreements. This seems too restrictive and not very adequate for current needs in the region;
- (d) The collaborating organizations are all suffering from a shortage of financial resources. A joint effort to mobilize resources should make fund-raising for joint activities less difficult as it would be more likely to succeed with the funding agencies from within the region and from outside.

B. UNIDO activities in the Arab region

UNIDO has not been standing idle, either at the national or regional levels before establishing the Special Programme. The following is a brief review of activities undertaken by the Special Programme after it was established in 1989 up to September 1994. By that date, the following technical support services programmes (TSS-1) and technical cooperation projects (TSS-2) had been approved and/or were operational:

National level

- The total number of activities was 75 (see table 1).
- In the African-Arab countries, Algeria and Egypt had the lion's share of activities (12 and 15 projects, respectively).
- Only two least developed countries (Djibouti and Sudan) had six activities: one for Djibouti and five for Sudan. Mauritania and Yemen had none during this period.
- Two projects were aimed at the Palestinian people.
- The remaining 16 countries had 32 programmes or projects.

Subregional or regional level

- The total number of activities was 17.
- Nine of these were subregional: four in the member countries of the Gulf Cooperation Council (GCC), three in the Maghreb countries, one bilateral (Egypt/Saudi Arabia), and one in the region covered by the Economic and Social Commission for Western Asia (ESCWA).
- Eight were of a regional character, covering interregional cooperation (one with France); establishment of regional centres (two); management development (one); productivity improvement (one); investment promotion (one); and, finally, technical assistance (two), one of which was for the sugar industry.

**Table 1. Approved and/or operational technical cooperation projects
(TSS-1 and TSS-2 levels)**

Arab African countries

Country	Number of projects
Algeria	12
Djibouti	1
Egypt	15
Libyan Arab Jamahiriya	2
Morocco	3
Sudan	5
Tunisia	3

Western Asia Arab countries

Country	Number of projects
Bahrain	3
Iraq	-
Jordan	6
Kuwait	2
Lebanon	3
Oman	2
Palestinian people	2
Qatar	3
Saudi Arabia	5
Syrian Arab Republic	8
United Arab Emirates	-
Yemen	-

On the whole, these activities do not seem to have been guided in a systematic way by the various formulations of priorities since the establishment of the Special Programme in 1989. They have, however, been related to the priorities common to all versions of priorities (human resource development, technological capability development, information systems, enhanced competitiveness, promoting small and medium industries, and investment promotion). ESCWA and AIDMO have been collaborators in a few of these activities and others are being developed.

Projects in the region for the Industrial Development Decade for Africa

Apart from those projects covering the whole of the African continent, some projects for the Industrial Development Decade for Africa (IDDA) address the needs of particular Arab countries in Africa. From the establishment of the Special Programme for the Arab Region and up to 1993, there were 14 national projects and three subregional projects (see table 2).

Table 2. Projects for the Industrial Development Decade for Africa

Projects at the national level

Country	Number of projects
Algeria	1
Egypt	3
Mauritania	1
Morocco	1
Sudan	6
Tunisia	2

Projects at the subregional level:

Country	Number of projects
North African countries	2
Arab Maghreb Union countries	1

II. REVIEW OF ACTIVITIES OF SUBREGIONAL AND REGIONAL ORGANIZATIONS

A. Industrial development organizations

There are three main regional/subregional organizations active in the field of industrial development in the region.

Arab Industrial Development and Mining Organization

AIDMO has had close relations with UNIDO ever since the establishment of its predecessor, the Industrial Development Center for the Arab States (IDCAS), in 1969. The most recent cooperation agreement was concluded in 1987. It outlines seven fields of cooperation between the two organizations; regular meetings are held to plan and review the implementation of joint operations.

Current AIDMO programmes cover a wide range of activities including meetings, training courses, industrial surveys, direct technical assistance to enterprises, sectoral, feasibility and regional coordination studies and industrial information services. For the last few years, AIDMO has placed special emphasis on the promotion of regional industrial projects and considered that a major activity. So far, four of the projects studied have been implemented, although half of them ended up as national, rather than regional, enterprises. Two more projects are under implementation, again at the national level.

Some organizations, other than UNIDO, have participated in some activities. However, the Director-General of AIDMO has reported that inadequate funding and shortage of quality expertise are the main obstacles to achieving the full objectives of projects. The indications are that the financial difficulties that AIDMO faces, in common with other organizations, are likely to continue for some time.

Gulf Organization for Industrial Consulting

The Gulf Organization for Industrial Consulting (GOIC) is a relatively new subregional organization, which UNIDO has actively supported since the early years of its life. A relationship agreement with UNIDO was signed in October 1987, listing 13 fields of cooperation covering a wide range of activities, prominent among which is the promotion of industrial projects. UNIDO has helped GOIC in building its industrial information services and in various training courses. Of particular interest is the contribution of UNIDO to the preparation of several detailed techno-economic investment profiles for industrial projects in the Persian Gulf States. GOIC has also indicated recently an interest in involving UNIDO in its activities in the fields of technology negotiation and acquisition, engineering design and consultancy services and the use of the UNIDO Computer Model for Feasibility Analysis and Reporting (COMFAR).

Economic and Social Commission for Western Asia

The Economic and Social Commission for Western Asia (ESCWA) is a United Nations body with which UNIDO has always worked closely. A Joint ESCWA/UNIDO Industry Division was established to deal with industrial development activities in the region, but has now ceased to exist. The Industrial Development Subprogramme in ESCWA's Medium-Term Plan (1992-1997) includes among its objectives those of assisting Governments and the private sector, diversifying and modernizing industry, upgrading industrial institutions, and improving industrial development policies and coordination and cooperation mechanisms.

Of particular interest in ESCWA programmes are two activities. The first is a programme of providing financial assistance to existing industries in a three-phase approach. The first two phases implemented by ESCWA end by proposing solutions to existing problems (not necessarily financial). The third phase of implementation is left to experts from outside ESCWA. ESCWA has also distinguished itself by the preparation of analytical reviews of recent developments in manufacturing industry in the region, as well as some in-depth studies on regional cooperation and the implications of recent developments worldwide for the industrial sector in the region.

B. Regional cooperation organizations

One subregional organization, the Gulf Cooperation Council (GCC) has stood the test of time. UNIDO is currently involved in some GCC projects, particularly in the promotion of small and medium industries, the establishment of a machine-tool industry and in building the secretariat's information services. A similar

organization, the Arab Maghreb Union (AMU), has recently been established for the Maghreb countries, a subregion in which UNIDO has conducted a number of activities.

C. Funding agencies

Arab Fund for Economic and Social Development

Although the Arab Fund for Economic and Social Development (AFESD) has been very active in the region and has funded several large-scale industrial projects, UNIDO - despite continued efforts - has not been successful in establishing strong working relations with it. It is likely, with the recent shift of AFESD towards human resource development, that this type of activity might attract its attention.

Islamic Development Bank

The Islamic Development Bank has already funded some industrial projects in the region. In recent contacts, IDB has shown an interest in enlisting UNIDO services in the appraisal and evaluation as well as in the feasibility studies of the industrial projects it finances. It has expressed particular interest in the promotion of labour-intensive small and medium industries in Africa.

Other funding agencies

There are a number of national development funding agencies, particularly in the Persian Gulf States, that provide soft loans to developing countries worldwide. The Kuwait Fund for Arab Economic Development and the Abu Dhabi Fund for Development have already funded several large-scale industrial projects in the region. The Arab Gulf Programme (AGFUND) is particularly interested in human resource development and in social programmes.

III. SOME BASIC CONSIDERATIONS IN FORMULATING REGIONAL AND COUNTRY SUPPORT STRATEGIES FOR THE ARAB REGION

A. Geographical scope of activity

A UNIDO support strategy needs to be formulated at a number of geographical levels, each corresponding to a specific set of considerations and calling for a particular approach:

Regional level

First, at the regional level as a whole, services should address problems and needs that are common to all countries in the region. The type of activity at this level needs to provide for the participation of all countries in the region (e.g. meetings, guidelines, information). UNIDO activities would benefit from the participation of the relevant regional organizations.

Subregional level

Second, at the subregional level, the Arab countries need to be grouped for effective planning in the light of a number of different criteria, which decide the purpose and type of service UNIDO should provide:

- According to the standard classification commonly adopted, and based on the standard of living and the extent of reliance on the petroleum sector, there are three main groups of countries: the oil-based-economy countries, those with a more diversified and older manufacturing industry, and the Arab least developed countries.
 - Geographically, the region is divided into groups of neighbouring countries that have some common interests and problems, and that have consequently established subregional organizations (GCC in the Persian Gulf, AMU in the Maghreb). These organizations are useful partners in planning and implementing UNIDO activities in the subregions.
 - According to the core industries in the country, the groups could transcend the subregional boundaries. For example, the petroleum and petrochemical industries that are common to GCC countries are just as important for Algeria and the Libyan Arab Jamahiriya in the AMU countries, and perhaps Egypt. Aluminum is a core industry in Bahrain, a GCC member country, as well as for Egypt. Iron and steel singles out Qatar in the GCC and brings in Egypt, the Libyan Arab Jamahiriya and even Mauritania (a least developed country). Activities addressing subsectoral issues will bring together the countries most concerned, regardless of their position in either of the previous two groups.
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Country level

Finally, at the country level, problems and needs, which may be generically shared with countries in any of the previous subregional groupings, may have a specific local twist that needs individual treatment. Alternatively, one country may show greater interest in a problem or need than others. In the final analysis, UNIDO activities at the country level will be planned and implemented within the framework of the UNIDO country programming briefs carried out to identify problem areas in the country that coincide with UNIDO's core areas of expertise (as required by the second of the activities set out in annex V to Director-General's bulletin "Guidelines for the management of UNIDO services" (UNIDO/DG/B.177 of 26 April 1994), and generally in response to active demand.

B. New needs

The changes outlined at the beginning of the present paper, both within the region and worldwide, have created new problems and needs, besides the more established ones that have shaped UNIDO work in the past. Some of the most important for which an active demand is reasonably expected in the near future are described below.

Privatization

Practically, all Arab States are now committed to privatizing their industries, either as a condition of the economic rehabilitation and structural adjustment programmes sponsored by the International Monetary Fund (IMF), and the World Bank and the donor countries (mainly in the second group of countries and the least developed countries), or as a new national policy (the Persian Gulf States). Experience so far has shown that this is a complex process fraught with many technical, managerial, financial and social dangers. The middle group of countries is particularly in need of technical assistance in many disciplines to achieve privatization in the optimum fashion, maximizing socio-economic benefits, and minimizing the ill-effects of privatization.

Most restructuring programmes involve the creation of a social safety net. For such initiatives to be cost-effective, and even self-sustaining, they need to focus to a great extent on the promotion of small-scale industrial enterprises, not necessarily at the level of simple technology.

Furthermore, privatization often needs the rehabilitation of industrial enterprises with a poor performance, but worthwhile potential. This is a highly specialized process that calls both for technical and managerial expertise as well as for sensitivity to local labour and product markets and the

likely interests of local and foreign potential investors in a rehabilitated enterprise.

Creating jobs

Another problem with serious consequences for the densely populated countries is unemployment, which is at the root of the social unrest that has reached, or could reach, dangerous levels now that it is not limited to one social group. Unemployment amongst educated youth, up to university standard, is relatively more widespread than amongst less educated groups. The problem is aggravated by the drastic reductions in the labour force that usually accompany economic restructuring and particularly privatization. In some Arab countries, there is a growing need for women to contribute to the family income and they are particularly affected by the diminishing job opportunities and the increasing pressure on the labour market. Yet another complication is the reverse flow of Arab labour from European Union (EU) countries with the tightening up of immigration rules and the move to repatriate Arab legal immigrants who were welcome in such countries only a few decades ago.

Competitiveness

With trade liberalization, Arab products need to make a quantum leap in quality and price if they are to have a place in world markets. Arab industry needs to put far more emphasis on improving product design, production technologies, quality management and marketing and on reducing operating costs. This involves upgrading human resources, helping in technology selection and acquisition, and improving management approaches and market research.

Regional cooperation

There are signs that regional cooperation, both at the national and at the enterprise levels, is engaging the attention of more people in more countries. UNIDO, on the basis of its experience is well qualified to expand and deepen the scope of its subcontracting approach at the regional level and particularly in helping individual entrepreneurs to establish cross-country co-production agreements up to the level of integration. The recent Middle East and North Africa Economic Summit could change the regional scene considerably. In the final declaration, the Governments represented at the Summit stated their intention to build the foundations for a Middle East and North Africa Economic Community which would involve the free flow of goods, capital and labour throughout the region. This could well create an entirely different framework for regional cooperation and, consequently, for UNIDO activities

in the region. Developments of this new initiative need to be watched and analysed continuously.

C. New approaches

The last basic consideration in formulating regional and country support strategies for the Arab region concerns the approaches that best suit the changing scene and the emerging needs.

Working with private enterprises

In his proposals entitled "Priorities and structural reform of UNIDO", presented to the General Conference at its fifth session,² the Director-General highlighted the fact that in future, "UNIDO must include work at the increasingly deregulated and privatized enterprise level, if it is to remain professionally competent", provided that direct assistance to enterprises does not lead to unfair competition or individual appropriation of benefits. One way of avoiding this is by working through the business associations (trade and industry). These associations are becoming more independent, and better organized and socially responsible in the new climate of curtailment of the role of the State and the rise of civil society where various non-governmental organizations are shouldering more and more of the responsibilities previously discharged by the State. One other aspect of the resurgence of the private enterprise is the creation of new consulting offices in various industrial disciplines. Most of these employ no more than one, or two, persons with a lot of enthusiasm, some industrial experience, but little experience in consultation work. UNIDO should investigate ways and means of encouraging these potential players to tap its resources of information and expertise upon request and in an appropriate manner.

Quick response

The process of change, within the region and worldwide is still going on and has not yet completely unfolded. For some years to come, the situation in the region will remain highly unsettled and at times even volatile. This environment brings with it both risks and opportunities. While the risks are, to some extent, predictable in nature and cause, if not in time, the windows of opportunity in such environments are usually very narrow. The current in-house procedures in programme/project formulation and approval will need to be accelerated so as to respond quickly to demand when it arises and to avert risks in time. Furthermore, good needs analysis, at the regional, subregional and national levels, is a good foundation for timely response to demand, as it anticipates such demand and prompts the preparation of groundwork in anticipation of demand.

Assessing financial resources

Funding UNIDO activities, in common with other United Nations activities, is becoming more difficult. Within the region, activities within the GCC member States are self-financing. The objective is to prepare programmes or projects of a high professional standard that compete with the offerings of international consulting firms. One obvious comparative advantage of UNIDO is its activities at the policy level, and to a lesser extent at the institutional and human resource development levels. The problem of funding activities in the least developed countries is not so much the scarcity of funds as the absence or weakness of national infrastructures and administrative systems. UNIDO activities, if they are to attract funding, need to take this reality into consideration in the selection, formulation and implementation of activities. The middle group of countries is the major problem. Funding needs are substantial compared to the availability of funding sources.

There is a growing tendency to fund development activities bilaterally rather than internationally. However there are signs of increasing interest amongst the EU to expand its funding beyond the Maghreb countries. Furthermore, some foreign non-governmental organizations (e.g. the Friedrich Ebert Foundation) are generously funding activities in the Arab countries, both at the regional and country levels. In industry-related fields they have shown an interest in environmental aspects of industrialization, and in human resource development. The Arab Countries Programme, Country Strategy and Programme Development Division, has recently managed to achieve a noteworthy increase in funds for its activities. It needs now to build on this achievement and to pursue the approaches that have achieved this increase, both as regards its internal operations as well as in fruitful contacts with donors. Finally, if and when a Middle East and North Africa Development Bank is established and operational, it should provide UNIDO activities in the region with a new source of funding with which UNIDO needs to establish strong working relations right from the start.

Closer working relations with regional/subregional organizations

The Arab Countries Programme has maintained good relations, and provided important support to the regional and subregional organizations involved in industrial development or supporting activities. The main purpose of maintaining such relations is to avoid duplication and/or conflict between activities and to establish useful synergies that would maximize the benefits of such activities. Furthermore, UNIDO can, and does, make its expertise available to the other organizations in support of their activities. In the new and relatively more difficult current environment and in the near future, relations with these organizations need to be strengthened. While it is fully

realized that some organizations have their own problems in participating meaningfully in strengthening working relations, UNIDO could take the larger share in efforts to maintain contacts and in being kept fully informed of their activities, ongoing and planned. Joint programming in a system-wide manner, in which each partner has a jointly planned role (approved by the respective governing council), may be a rather far-fetched approach under present circumstances; however, efforts need to be exerted consistently to come as close as possible to this highly desirable approach. It is, of course, fully realized that some organizations may have particularly severe problems at some time or the other, but this fact must not be allowed to slow down, or curtail, the thrust of the other partners in a system-wide programme of activity.

IV. PROGRAMMING STRATEGY

A. A framework

UNIDO activities are planned - whether deliberately or implicitly - within the framework of a five-dimensional matrix. It is worthwhile spelling out these dimensions as they provide a useful conceptual framework for programme planning: (a) in matching needs with UNIDO fields of competence and comparative advantage; and (b) when setting priorities for activities.

As a first attempt, the following five dimensions of activity are proposed:

(a) The socio-economic sector that directly benefits from industrial development, supported by the planned UNIDO activity. Of course all socio-economic activities relate to the industrial sector, in one way or another. However, the four socio-economic sectors closely linked to the extractive and manufacturing sectors in the Arab region are: (i) water, food, housing and clothing; and, to a lesser degree, (ii) transport and communication;

(b) The industrial subsector in which UNIDO activities are planned. The six subsectors in which UNIDO has a relative advantage are: building materials, chemicals, agro-industry, textiles, metallurgy and engineering;

(c) The field of UNIDO activity, which covers quite a wide range of fields. In some, UNIDO has considerable experience and a relative advantage, while others are fairly new, but need strengthening to match what are conceived as priority needs at present, namely: policy formulation, institution building and support, investment promotion, technology negotiation and acquisition, developing small and medium industries, quality control and management and productivity;

(d) The type of activity into which UNIDO services fall. The most important of these are: studies and surveys, consultations, seminars and workshops, human resource development (training, fellowships, secondments), specialized expertise at the subsector or enterprise level, industrial investment portfolios, feasibility studies and information services;

(e) The geographical scope of activity of which there are four main levels: national (enterprise/association/government), subregional, subsector specific and regional.

B. Analysis of priorities

This framework helps in clarifying the coverage and the gaps to be addressed for the purpose of programme/project formulation and implementation, guided by the set of priorities adopted in various forums and meetings and presented in the present paper:

At the end of the introduction, part B, the priorities identified are at the dimension of the field of activity. The first five are neither socio-economic nor industrial-subsector specific, while the last one is at the level of the geographical scope of activity. They need to be elaborated further for programming purposes at the level of at least two of the remaining dimensions (industrial subsector and/or type of activity), and preferably with a clear indication of the priority at the dimension of the socio-economic sector.

The eight priority areas to which the Director-General was requested, at the fifth session of the General Conference, to orient Special Programme activities are a mixture of dimensions:

- (i) Socio-economic sectors while identifying the industrial subsector: food securing through the development of agro-industries;
 - (ii) Field of activity: upgrading the competitiveness of industrial products; standardization and quality control; industrial management information; promotion of the private sector, industrial rehabilitation and investment activities; sustainable industrial development through energy conservation and environment protection;
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- (iii) Type of activity: human resource development; development of national and regional technological capabilities.

The first group, under socio-economic sectors, does not specify the field, type or geographical scope of activity. This could mean activities across the board, a situation that obviously calls for prioritization.

The second group under field of activity does not specify the type of activity and could imply activities at the full regional level.

The third group addresses types of activity, again, presumably throughout the region, in generic terms, without specifying industrial subsectors or identifying priority fields of activity.

The joint UNIDO/ESCWA/AIDMO meeting held in February 1994, while adopting the priorities of the fifth General Conference, emphasized three composite broad objectives: (a) and (c) that address fields of activity, and (b) and (d) relating to types of activity.

This rough analysis of the various formulations of priorities is not meant as a criticism for each one is valid and coherent. What is meant here is to highlight the extra effort needed to plan activities within any of these sets of priorities and objectives.

C. The programming strategy

The programming strategy of UNIDO in support of industrial development in Arab countries would have two components:

- UNIDO will continue to respond to demand in the traditional areas of its competence, within the current fields and types of activity in the industrial subsectors suited to its organizational structure.
 - The coming years call upon UNIDO to provide services to meet the new priorities and needs addressed in the present paper, sometimes using slightly different approaches. The following priorities are proposed for the coming years:
 - (i) Supporting the process of privatization and private sector development;
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- (ii) Improving the competitiveness of Arab industry in local and world markets;
- (iii) Promoting environmentally sound industrial development;
- (iv) Creating new employment opportunities;
- (v) Developing industrial services;
- (vi) Supporting regional cooperation.

Examples of the activities that UNIDO could usefully provide for each priority are given below.

Supporting privatization and private sector development

Privatization programmes are the responsibility of the State. They are usually driven and supported by international institutions (IMF and the World Bank) and some donors (Overseas Development Administration, United States Agency for International Development, etc.). They run into a number of problems that call for extra inputs to deal with the obstacles and constraints that slow the pace of privatization. UNIDO can offer support in a number of ways:

(a) Supporting privatization by:

- Carrying out diagnostic studies needed for the rehabilitation of public enterprises. Such rehabilitation is often necessary before such enterprises can be privatized. The studies cover shortcomings in management, finance, product mix, technology, human resources, cost and marketing, and propose remedial approaches.
- Involving UNIDO Investment Promotion Service offices in promoting Arab and foreign investment in the privatized enterprises.

(b) Developing the private sector by:

- Strengthening the industrial business associations (federations, chambers, societies of industrialists and executives) that are emerging in a new light on the industrial scene.
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- Developing such associations as avenues for the provision of UNIDO technical support services to individual private enterprises or groups of enterprises in particular subsectors.
- Promoting the diversification of small and medium industries and supporting new ventures, both at the traditional and particularly at the sophisticated levels of technology.
- Providing expert advice and training in technology negotiation and acquisition.

Improving the competitiveness of Arab industry

Arab industry faces growing competition, both in its traditional local markets and in its new export orientations. Once the Uruguay Round Agreements are fully operational, this competition will become fierce and could well force some painfully drastic actions at the local level. UNIDO can contribute to improving the competitiveness of Arab industry by:

- Promoting and supporting the implementation of modern quality control approaches (total quality management (TQM), ISO 9000 certification) and much higher productivity levels (reviewing production techniques, introducing appropriate automation).
 - Encouraging the implementation of cost-reduction exercises (alternative supplies and suppliers, strict control of labour requirements, better financial management and control, improved marketing, material and energy audits).
 - Supporting initiatives for the modernization of existing industry (more efficient equipment at competitive prices, highly skilled labour force, improved product design, process improvements).
 - Supporting export promotion (providing up-to-date information on industrial product markets, new opportunities and niches).
 - Supporting downstream industries, particularly in the chemicals, engineering, agro-industrial and building materials subsectors.
 - Providing expert advice and undertaking studies for the diversification of industry, particularly in those countries that rely heavily on one type of industry, or where demand for its products is expected to diminish.
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- Promoting hi-tech, knowledge-intensive, small enterprises, particularly in informatics (imaginative packaging of microelectronic components, software development for a wide variety of purposes and clients worldwide, participation in global production networks).

Promotion of environmentally sound industrial development

UNIDO is now recognized as one of the organizations within the United Nations system that can support environmentally sound and sustainable industrial development by:

- Supporting the establishment of national cleaner production centres, disseminating information about the combined economic and environmental benefits of the cleaner production approach to industrial pollution prevention, providing information on techniques, and training in environmental auditing and the application of pollution prevention methods at the plant level.
- Promoting capacity-building in industrial hazardous substances and waste management (identification of hazardous materials, risk assessment, safety and preparedness policies and procedures).
- Providing technical support in the development of environmental standards for different industries.
- Supporting efforts to implement the Montreal Protocol on Substances that Deplete the Ozone Layer.
- Disseminating information on the recycling of industrial waste and supporting implementation of guidelines etc. in different subsectors (particularly in agro-industries).

Creating new employment opportunities

The creation of new workplaces is particularly important for the densely populated middle-group countries and the Arab least developed countries, and has become more urgent in view of the impact of economic restructuring and structural adjustment programmes and the associated privatization of public enterprises. This is a drastic change from older policies of guaranteed full employment and is posing a serious threat to social stability. UNIDO can support efforts to create new employment opportunities for men and women essentially by making sure that such jobs are economically sustainable and do not necessarily mean the proliferation of simple technologies. This is obviously an exercise in the promotion of small-scale

industrial enterprises in urban and rural areas, closely related to local endowments, needs and market opportunities. UNIDO can, for example:

- Promote and/or support the establishment of industry incubators to help individual entrepreneurs, or groups of entrepreneurs, to establish a new small-scale enterprise by providing facilities and advice on market survey, product specification, production equipment, sources of raw materials, financing, management and marketing.
- Widely disseminate its publications on the establishment of new small-scale enterprises and promote the exchange of experiences and linkages between complementary industrial activities amongst the small-scale enterprises and with larger and more established enterprises.

Developing industrial services

Industrial support services, particularly consultant services, have come mainly from foreign sources in the industrialized or some newly industrializing, countries. With the advent of privatization and the promotion of private enterprise, national - and even regional - industrial consulting offices are slowly spreading throughout the region. These are staffed mainly by persons who have industrial experience, but who need complementary help in achieving international standards in the organization of the enterprise, in relations with partners and associates, in internationally acceptable contracting and in definition of liability. UNIDO could support these important initiatives by:

- Making its wealth of knowledge and expertise available upon request and in accordance with established rules and procedures.
- Engaging the more qualified consulting firms or consultants in its activities in the region.
- Helping consulting firms or consultants in the region and abroad to establish contacts and to work jointly according to mutually agreed terms.

Supporting regional cooperation

Regional cooperation is currently driven by two new developments in the region:

- Private-sector initiatives to create cross-border joint industrial activities, with production in geographically dispersed units in an integrated
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manner and with an import substitution slant at the level of the entire region (which obviously makes a sizeable market).

- More recent initiatives, involving Governments and business, started at the Middle East and North Africa Economic Summit, which was also attended by many delegates from outside the region.

UNIDO has supported regional cooperation at different levels and in different ways. The only current activity, notwithstanding those at the subregional and bilateral levels, that seems to relate to the new initiatives is the cross-country subcontracting programme of UNIDO. The new initiatives call for new approaches that cannot be usefully defined until the main features of these initiatives emerge, their needs clarified, and consequently, the role of UNIDO can be defined.

V. FROM STRATEGY TO PROGRAMMES/PROJECTS

A strategy is not an end in itself. As mentioned at the outset, it should provide useful guidance in planning activities. The major challenge in formulating a strategy at the regional level is that it has to capture, within a limited, meaningful number of priorities, the major issues that are relevant to a whole region. The particular difficulty in identifying such a meaningful set for the Arab region is its heterogeneity. However, this is not an impossible task if it is remembered that:

- (a) Most of the significant attributes identified in the section entitled "The industrial scene in the Arab region" are common to all countries in the region, at present and for some time to come;
 - (b) Some, but not many, of the priority issues identified could be more relevant to one subregion or country, than to others. For example, creating new employment opportunities may not be identified at present as a priority in the country programming strategy of, say, a GCC-member country, while assuming a very high priority in a densely populated country or a least developed country. Even here, there are indications that some GCC countries are beginning to face increasing rates of unemployment in the industrial sector;
 - (c) Finally, there will be specified aspects of any of those priorities within a subregion or country setting, calling for certain types of activities in particular fields of activity. In Egypt, at present, 80 per cent of the graduates of higher education are unemployed. Women's need for income generation in the Arab least developed countries is another important issue that needs to be targeted. Activities need to be tailored to address this level of human resources.
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The acid test of a regional strategy is the extent of its coverage of the priorities at the subregional and country levels.

UNIDO activities are expected to respond to demand, whether spontaneous or cultivated through awareness and sensitization activities. Before demand leads to a project being approved, the project has to pass through a number of filters (screening processes). First it needs to be within the scope of the mandate and capabilities of UNIDO. Second, it should receive funding from one source or another. When it has cleared these two hurdles, a strategic framework gives an insight into whether the project is within the priority objectives spelled out in the programming strategy. This insight will help in resource allocation by ensuring that the needs within the priority objectives have precedence over others.

Prioritization is a complex issue and is not restricted to a single criterion such as compatibility with the priorities of the strategy adopted. For example, it may be decided - a priori - that the least developed countries, and/or activities relating to the role of women in industrialization, or its impact on them, will have priority, or that some particular change may call for prompt action outside the priorities. This is best translated into specified resource allocations or some contingency allocation made to deal with such abnormal situations, without disturbing the main thrusts of programmes. It is hoped that planning will be kept within the priority objectives as much as possible.

The question now becomes one relating to the way in which demand/needs can be identified and the planning process activated. This could originate from several sources:

- (a) First and, hopefully, foremost, will be the demand/needs identified in the country strategies. If the regional strategy is appropriately defined, then the best part of this demand will fall within the scope of the priority objectives. The regional strategy should be fine-tuned through a two-way interaction between the regional and country strategies. The six priorities suggested in section IV C have attempted to cover a wide spectrum of needs to fit as many as possible of the specific requirements of a subregion or country;
- (b) Second, should the priorities suggested here fail to cover country strategy priorities to a noticeable degree, then the strategy obviously needs modification. More to the point, these priorities could further be processed at a subregional or country level selecting the relevant priority objectives, as well as selecting the fields and types of activity best suited to the situation.

If after clarifying these issues, the project dimensions are clearly spelled out, and all programmes/projects are tagged according to those dimensions as they are inputted in a database of regional activities, this will also clarify, at the level of the

Arab Countries Programme, Country Strategy and Programme Development Division, or even the whole of UNIDO, how demand, and consequently resources, are laid out within this matrix. Meaningful answers can thus be obtained quickly to questions such as: in which subsector is the majority of demand; which field or type of activity is more in demand; which priority objectives have failed in practice to attract reasonable levels of demand. This is obviously very useful in many respects, for example:

- (a) In resource planning;
- (b) In updating and modifying strategies;
- (c) In identifying needs that are considered important but for which there is no active demand, prompting an investigation of causes and remedies.

Two hypothetical examples, at the level of the Arab Countries Programme are given, of how clarifying the dimensions of an activity helps in providing answers to these and similar questions. For the first one, a strategic priority is the main dimension, while for the second, a subregion is the main dimension. In each case, the sum total of activities is laid out according to field and type of activity. These are but crude examples provided here as an indication of the analytical value of clearly identifying the dimensions of activities.

Example 1 Strategic priority: Competitiveness
Industrial subsector: Textiles
Socio-economic sector: Clothing
Geographical scope : Regional/subregional

Field/type	Study	Seminar	Human resource development	Information	Feasibility study
Productivity	R (1)	S ₃ (2)	C (3)	R (1)	---
Quality control	---	---	C (1)	S ₂ (1)	---
Institution building	---	S ₃ (2)	R (2)	---	R (1)

Key: C: country
 S: subregional (numbers denote the subregion)
 R: regional
 Numbers in brackets denote the number of projects.

Example 2 Subregion: Least developed countries
 Strategic priority : Employment generation
 Industrial subsector : Agro-industries
 Socio-economic : Food

Field/type	Information	Human resource development	Specialized expertise	Feasibility study	Seminar/workshop
Developing small and medium industries	C (1)	---	C (3)		S ₂ (1)
Developing entrepreneurship	---	S ₂ (1)	---		---
Policy formulation	S ₂ (1)	S ₃ (1)	---		C (3), S _{2,3} (1)
Institution building	---	S ₃ (2)	S ₃ (1)	C (2)	

Key: C: country
 S: subregional (numbers denote the subregion)
 R: regional
 Numbers in brackets denote the number of projects.

VI. REGIONAL LEVEL

A special area that needs some elaboration here is the field and type of activity at the regional level. While it is conceded that because of the marked differences between countries and subregions, most activities will be at the subregional and country levels, it is necessary to clarify the nature of activities at the regional level and how they relate to activities at other levels.

These activities need to be of interest and relevance to, and to involve at least most of the countries in the region. These are severe restrictions on the fields and types of activity at this level. The type of activity will be mainly in the nature of conferences, seminars, workshops or expert group meetings. These need to be based

on studies, surveys and working papers on the issues to be discussed in these forums. To this may be added publication of original or translated material on emerging issues in industrial development that have any impact on the region. It is recommended that activities at the regional level include also those relating to issues in an industrial subsector that cut across the geographical classification of the subregions; for example, iron and steel, automotive, shipbuilding or microelectronics industries.

The main value of activities at the regional level is in: :

- Awareness-raising and sensitization
- Diagnosing and articulating needs and demand in fields that concern most countries in the region
- Exchange of meaningful experiences between countries within the region
- Promoting ECDC/TCDC types of activities
- Formulating regional attitudes and policies in international forums dealing with issues relating to industrial development.

Examples of some ideas that serve these purposes are :

- The implications of the recent Uruguay Round Agreements for Arab industry
 - The impact of build-operate-transfer (BOT) deals on Arab industrial development
 - The role of business and professional associations in promoting sound privatization of Arab industry
 - The new role of small and medium industries in upgrading Arab industry
 - The promotion of ecologically sustainable industrial development (ESID) in the Arab region: constraints and opportunities
 - The management of hazardous materials and wastes in Arab industry
 - The role of industry in promoting sound water supply and demand patterns in the Arab region
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- Review of experience in subcontracting between Arab industrial enterprises
- The impact of worldwide developments on the Arab iron and steel industry
- A blueprint for promoting downstream industries in chemicals
- The challenges and opportunities of the United Nations Framework Convention on Climate Change for Arab industry
- Women in Arab industry
- The role and reorganization of ministries and departments of industry in a changing socio-economic environment

VII. CONCLUSION

The Arab region is currently going through a phase of relatively rapid and profound change, which calls for careful monitoring and continuous adjustment to meet present and future needs.

The present paper does not address the organizational implications of its proposals, except when recommending a quick response to the fast-moving situation and the streamlining of the programme/project cycle. Such implications need to be worked out and feasible actions taken to match tasks to the resources and organizational structure.

The issue of ensuring that UNIDO activities are demand-driven calls for some qualification. In several cases, the demand is difficult to justify on purely objective grounds. Such demand, even when it falls within the range of UNIDO core activities and expertise, should not be responded to unless it enhances industrial development as a means of achieving socio-economic objectives. What is more important is that the demand may not be well articulated, or that the UNIDO client is unaware of a high priority need to deal with a current situation or problem. UNIDO should adopt a proactive posture here and help to articulate the demand clearly and, more importantly, turn the need perceived by its expertise into an active demand from the potential beneficiary.

The proposed programming strategy suggests that UNIDO should continue responding to demand in the traditional fields of its competence. However, if programming is carried out within the framework proposed in the present paper, the bias of activities to one dimension or the other will be easier to identify. This

should be helpful in anticipating future demand, and developing more continuity and synergy between projects in a programme, as well as in redefining priorities. When compared with an analysis of activities in other regions, within the framework of their regional strategies, linkages across regions, opportunities for cross-fertilization between activities in different regions, and a clearer definition of the scope and types of UNIDO activities for which there is more demand could be achieved. An exchange of information on activities and experiences within CSPD would increase the effectiveness of the programmes in all regions and identify useful linkages, and particularly, areas for ECDC/TCDC. This would also be a useful input in matching the organizational structure, expertise, and resource allocations of UNIDO to demand and needs worldwide.

Coordination of the activities within the Arab Countries Programme with those carried out under IDDA in the Arab African countries is an area that calls for attention. Close contacts and consultations between the two programmes would avoid duplication and contradictions, as well as promote synergy and the exchange of experience.

Notes

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