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21276

Distr.  
LIMITED

ID/WG.545/5(SPEC.)\*  
21 November 1995

United Nations Industrial Development Organization

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ORIGINAL: ENGLISH

Third Ministerial Symposium on the  
Industrialization of LDCS: Sustainable  
Private Sector Development and Accelerated  
Growth of Industrial Enterprises in LDCS

Vienna, Austria, 30 November-8 December 1995

**MID-TERM GLOBAL REVIEW OF PROGRESS TOWARDS THE IMPLEMENTATION  
OF THE PROGRAMME OF ACTION FOR THE 1990S\*\***

Prepared by

the UNIDO Secretariat

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\* Reissued for technical reasons.

\*\* This document has not been edited.

V.95-59387

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**PART I : INDUSTRIAL SECTORAL APPRAISAL ON THE  
IMPLEMENTATION OF THE PROGRAMME  
OF ACTION IN 1990-1995**

**A) PROSPECTS AND CONSTRAINTS FOR INDUSTRIAL DEVELOPMENT  
OF LEAST DEVELOPED COUNTRIES IN 1990S**

The first half of the 1990s saw a global upturn in industrial development, as measured by the growth of manufacturing value added. This upturn though, was not uniform; some of the developing regions and particularly many LDCs, most in need of development, even experienced a decrease in per capita industrial activity. Great differences between countries and regions can be seen in a number of areas, including the implications of the Uruguay Round Trade Accord. Addressing such disparities will be one of the crucial tasks in the years to come.

**a) Recent economic performance**

While final data is not yet available in 1995, an analysis of global growth performance of developing countries as a whole in 1994 points to an overall recovery: a global increase of gross domestic product (GDP) in the order of close to 3 per cent is likely - after just 1.6 per cent in 1993. Manufacturing value added (MVA) is estimated to have grown by approximately 3.5 per cent over the year, following a close to zero growth in 1993, the result of 3 per cent MVA growth in developed countries and around 5 per cent MVA growth in the developing world. Growth in the developing countries and the LDCs is driven once more by a strong performance in Asia and the Pacific. A regional breakdown of MVA growth - based on first available estimates - shows the following picture: 2 per cent for sub-Saharan Africa (implying declining per capita growth), 4 per cent for North Africa and Western Asia, 3 per cent for Latin America and the Caribbean and 11 per cent for East and South Asia, heavily influenced by the booming Chinese economy.

**b) LDCs and the New GATT Trade Accord**

The year 1994 saw a number of significant economic developments, the most important being the conclusion in April of the GATT Uruguay Round Agreements. These Agreements - beyond their institutional manifestation in the form of the new World Trade Organization - are of great relevance to developing countries particularly to LDCs.

African countries especially African LDCs face two challenging developments: the erosion of present trade preferences through multilaterally negotiated tariff reductions, and the clear trend in other regions for intra-regional trade and investment links.

**c) LDCs and the increasing Industrial competition**

The increasing competition in industry and the changing patterns of competitiveness indicate that in the second half of the 1990s these issues will gain in importance. Emphasis will continue to shift from quantitative to qualitative aspects of industrial development. The current challenge for most LDCs and developing countries pursuing their industrialization will be on one hand, to solve the problem of the accumulated structural adjustment gap through plant rehabilitation, modernization, mergers, and on the other hand, to build up a competitive basis for the years to come.

**d) LDCs and Sustainable development**

Sustainable economic development was a major theme of international debates throughout the first decade of the 1990s, both from an environmental as well as from a social standpoint, as highlighted in the UN Conference on Environment and Development in 1992 and the World Summit for Social Development in 1995. Industry is recognized as the major engine of growth; industrial development is crucial for addressing the challenge of growing populations, poverty and unemployment in the least developed countries as a whole.

For many LDCs faced with severe population pressure and growing unemployment caused by increases in agricultural productivity, industry offers the greatest opportunity to absorb a rapidly growing labour force. Furthermore, the most dynamic types of services (with significant employment potential) rely on demand from an expanding industrial sector.

Natural resource management and environmental sustainability are growing concerns of policy-makers in developing countries.

**e) LDCs in the Context of Globalization**

While developing countries and LDCs in particular need to pursue policies designed to enhance the social and environmental impact of industrialization, they are also becoming increasingly integrated into the global economy. In the present era of globalization, revolutionary technological advances, growing economic and social interdependence and increasing competitive challenges, international industrial cooperation is increasingly important. The second half of the 1990s and the early years of the next century hold the promise of a global industrial partnership involving all countries and regions; no LDCs or region should be left out.

Nevertheless, in 1990s, the analysis of the least developed countries' industrialization process reveals certain on-going shortcomings of the structure of the weak industrial production: Over-expansion of industrial capacity relative to agricultural production and to the ability of the economy to sustain that capacity, but low industrial output share in GDP relative to services; Over-extension of public ownership relative to the

economic justification for direct public investment and to the government's financial and managerial capacity to operate industries efficiently; over-investment in import-substitution industries relative to domestic demand and to the export industries needed to generate rising foreign exchange earnings; over-investment in final-stage consumer goods relative to investment in the raw material processing, intermediate, and capital good industries needed to increase linkages with the rest of the economy; excessively high import and capital components in industrial production costs relative to the economy's generation of foreign exchange and savings and to the comparative advantage of using local resources and labour. There has been little autonomous industrial growth in the 48 LDCs.

At the same stage, **the pattern of industrialization in LDCs still has tended to squeeze the trend of development during the first decade of 1990s by:** underpricing of foreign exchange and overpricing of foreign manpower (expatriates); underpricing of domestic financial capital; underpricing of public services and utilities; under-investment in the resource-based, inefficient export-oriented industrial processing sector and overspending on inefficient public sector enterprises and administrative infrastructure; weak technological linkages within and among industries; high anarchical urbanization rates combined with high real wages of minority of decision makers (mainly politicians) and higher urban unemployment.

#### **B. INDUSTRIALIZATION OF LEAST DEVELOPED COUNTRIES WITHIN THE CONTEXT OF UNIDO TECHNICAL ASSISTANCE IN 1990S**

The Second United Nations Conference on the Least Developed Countries, through its Programme of Action, highlighted the importance of UNIDO in supporting the industrialization of the least developed countries. Prior to the above, in November 1989 during the period of preparation of the Second United Nations Conference on the LDCs, the General Conference of UNIDO at its third session adopted resolution GC.3/Res.11 (Annex I) which called for the development of a special strategy for the industrialization of the least developed countries in the 1990s and in para. 7 of the GC.3/Res.11 specified **"Requests the Director-General to take the necessary measures to ensure the active participation of UNIDO in the relevant activities of the preparatory work for the Second United Nations Conference on the Least Developed Countries to be held in Paris in September 1990, including the development of a special strategy for the industrialization of the least developed countries in the 1990s"**.

In the 1990s, UNIDO is giving particular attention to self-reliant development strategies in its assistance for industrialization of least developed countries. Such strategies should include the industrial component that would support the activities of rural development instead of trying to precede it. It introduces a new role and dimension for industrialization based on local needs and local natural resources, local skilled or trained industrial manpower, also on domestic and regional markets which would be more self-sufficient rather than on export

oriented.

Taking advantage of the New World Trading System, UNIDO decided to support the least developed countries in undertaking a sustainable policy of self-reliant development strategy, which presupposes indigenous industrialization that would be primarily adjusted to the needs of the LDCs population.

**PART II: REVIEW OF THE IMPLEMENTATION OF THE PROGRAMME OF ACTION : UNIDO TECHNICAL ASSISTANCE TO LDCS OVER THE FIRST DECADE 1990-1995**

**HIGHLIGHTS OF UNIDO'S TECHNICAL ASSISTANCE TO LDCS 1990-1995**

**The beginning** of the decade marked intensified activities for the preparation of the Second United Nations Conference on the LDCs.

In accordance with Board decision IDB.6/Dec.6, UNIDO actively participated in the Second United Nations Conference on the Least Developed Countries held in Paris from 3 to 14 September 1990 as well as in the preparatory activities which preceded that event.

**1. INDUSTRY IN LDCS: STRUCTURE AND DEVELOPMENT**

As follow-up to the Second United Nations Conference on the LDCs, UNIDO implemented projects aimed at the collection and analysis of key development issues related to the industrialization of LDCs. The implementation of the policy document for the industrialization of the LDCs gave the opportunity of an international workshop for the preparation of national and international strategies for industrialization of LDCs. It also enabled UNIDO to finalize the Industrial Action Programme for LDCs which was submitted for approval to the fourth session of the General Conference in November 1991.

UNIDO fielded missions to 30 LDCs in all regions in conjunction with the preparations for the Fifth United Nations Development Programme (UNDP) country programming cycle and with the sectoral and mid-term reviews. Inter-agency co-operation activities for the benefit of LDCs were also intensified. Preparations began on integrated industrial sector programmes for all LDCs in Africa.

**2. INDUSTRIAL ACTION PROGRAMME FOR LDCS (IAP) IN 1990s**

The First Ministerial Symposium on the Industrialization of the LDCs which was held at Vienna from 14 to 22 November 1991, was organized at ministerial level by the United Nations Industrial Development Organization in conjunction with the fourth regular session of its General Conference, held at Vienna from 18 to 22 November 1991. The draft text of the Industrial



Action Programme for the least developed countries, after discussion and adoption by the Symposium, was submitted for consideration by the General Conference. In its resolution GC.4/Res.10 of 22 November 1991, the General Conference adopted the Industrial Action Programme approved by the Ministerial Symposium. Its implementation was regarded as the proper response to the challenges posed by the needs of the least developed countries.

Based on the Programme of Action and the Paris Declaration, Second United Nations Conference on the LDCs, the Industrial Action Programme for LDCs constitutes the steps to be taken by both UNIDO and by the LDCs for a sound and efficient strategy for an self-sustained industrialization of the LDCs.

The programming and implementation framework of the IAP demonstrates the action-oriented spirit of the document which is conceived through strengthened partnership, shared responsibility, measurability and transparency of commitments between UNIDO and the LDCs. The following priorities were adopted for inclusion in the Industrial Action Programme for LDCs:

- 1) **Human resources development for the industrialization of the LDCs**
- 2) **Industrial development in rural areas**
- 3) **Macroeconomic conditions and mobilization of financial resources for industrial development**
- 4) **Development of the industrial, service, scientific and technological base (in reference to the Programme of Action):**
  - i) Industrial rehabilitation
  - ii) Privatization
  - iii) Small- and medium-scale industries
  - iv) Transfer of technology
  - v) Transport and communications
  - vi) Environment and energy
- 5) **Integration of women in industrial development**
- 6) **International economic cooperation in industry**
- 7) **Arrangements for implementation follow-up, monitoring and review**

### 3. FOCUS ON FINANCING THE INDUSTRIAL ACTION PROGRAMME FOR LDCS IN 1990S

The Symposium considered the working paper prepared by the UNIDO Secretariat, "Financing the Industrial Action Programme for the LDCs: A Challenge for the 1990s" (PPD.254/SPEC.), and found it to be comprehensive and relevant. The delegates considered the major findings in the paper to be in conformity with the experiences of the least developed countries with respect to industrialization. In view of the crucial role of industry, the delegates expressed concern at the stagnation of the industrial sector over the past decade, when its contribution to gross domestic product remained constant at approximately 8 per cent, and they also expressed concern at the declining share of the sector in the official development assistance of bilateral and multilateral institutions.

It was pointed out that the least developed countries were implementing major structural adjustment programmes, which involved, among others, reducing the size of the public sector, rationalizing the various regulatory institutions, liberalizing the trade regime, and promoting the private sector.

The delegates emphasized that it is of utmost importance that support for industry, particularly adequate resource allocation, be reinforced by national, regional, and international bodies.

The delegates noted that the First Ministerial Symposium on the Industrialization of the Least Developed Countries, held in Vienna, in November 1991, had laid down the foundation of the strategy for industrialization in the least developed countries and reaffirmed their commitment to the Industrial Action Programme for the Least Developed Countries (PI/114). They were of the opinion that the paper presented in the second Symposium addressed the crucial issue of financing industrialization in the least developed countries and endorsed the conclusions and recommendations of the working paper as a basis for the formulation of national and international strategies in the field of financing for industry.

In December 1993, in Yaoundé, based on the document entitled "Financing Industrial Programme for LDCs : A Challenge for the 1990s", the Second Ministerial Symposium and the Fifth General Conference adopted resolution GC.5/Res.16. **(Please refer to Annex VI).**

#### **Promoting Private Sector**

A focus of the operational activities of UNIDO in LDCs concerned the **promotion and enhancement of the private** sector with special emphasis on support actions leading to the development of a dynamic small- and medium-scale industrial sector. For the African LDCs the main issues of technical cooperation activities relate to maintenance and rehabilitation

of industrial production equipment, development of new and appropriate technologies, human resource development and upgrading of national capabilities, valorization of natural resources, export promotion through products' quality improvement and standardization, creation of export processing zones and strategic management of the industrial sector.

#### **UNDP FIFTH CYCLE COUNTRY PROGRAMME REVIEWS**

Missions were sent to Bangladesh, Benin, Bhutan, Burkina Faso, Burundi, Nepal, Niger, Sao Tome and Principe, Togo and Uganda. Mid-term reviews for the fourth cycle took place in Botswana, Lesotho, Malawi and Uganda.

#### **ECDC/TCDC**

Since 1990, activities and projects under the framework of economic and technical co-operation among developing countries (**ECDC/TCDC**) continued to interest a number of LDCs and were carried out at regional, subregional and interregional levels. A Solidarity Ministerial Meeting was held in Ethiopia in November 1990. As a follow-up to previous ECDC promotional activities, selected projects were implemented for the benefit of Bangladesh, Burundi, Cape Verde, Guinea and Niger.

A number of activities relating to **economic cooperation among developing countries** continued to focus on the problems of LDCs such as a solidarity meeting for cooperation in the industrial development of Botswana held at Gaborone in October, and a meeting on the promotion of joint ventures among Islamic countries held at Karachi, Pakistan, in November, at which seven LDCs (Comoros, Djibouti, Maldives, Sierra Leone, Sudan, Uganda and Yemen) submitted projects for cooperation with more developed Islamic countries and financial institutions. As a follow-up to the previous promotional activities, some concrete projects and activities were implemented such as cooperation between: China and Guinea for preservation of vegetables; Burundi and Morocco in the handicrafts sector; Ethiopia and Romania in the chemical industry; Cape Verde and Thailand in agriculture; Argentina, Brazil and Cape Verde in the field of tannery.

#### **Workshops and Expert Group Meetings**

A regional workshop on the development of the agro-related metalworking sector was carried out also for LDCs within the framework of the Special Programme for the Industrial Development of Asia and the Pacific.

Of the three workshops on identification, design, appraisal, monitoring and evaluation of technical cooperation projects, two were held in 1991: one for African English-speaking LDCs held in Malawi in May 1991, and one for Asian LDCs held in Nepal in September/October 1991. The third one, for African French-speaking LDCs was held in Niamey, Niger in April 1993. In 1992, a "seed" programme on the promotion of traditional wood industries in Central and West African LDCs was implemented.

Similarly, 3 support programmes to **mobilize financial resources** for industrial development in Asian LDCs, French speaking and English speaking LDCs were successfully implemented in 1992 and 1993. All projects addressed the key issues of mobilization financial resources for industrial development, environment, rehabilitation, small-scale and micro-industries of rural development.

#### **Seed Programme : Promotion of the Traditional Textiles Industry**

A highlight in the implementation of the "seed" programme for the promotion of the traditional textile industry in West Africa was the organization of the workshop on the promotion of the traditional textiles industry in West African least developed countries held at Ségou, Mali in May 1992. At the workshop, a programme of action was approved for the promotion of the traditional textiles industry in West Africa that formed the basis for the formulation of two large-scale projects as follow-up to the first phase: one on the promotion of the traditional textile industry through the creation of a regional tissuthèque in West African LDCs, and the other on the promotion of the traditional textile industry through the training of artisans, improvement of products, and marketing for West African LDCs. As follow-up to the Ségou Workshop, UNIDO organized a "mini show" on traditional textiles within the Third International African Arts and crafts Show (SIAO) held at Ouagadougou, Burkina Faso, in October/November 1992 upon the invitation of the SIAO secretariat, and moderated a workshop on the promotion of African traditional textiles.

#### **Human Resource and Private Sector Development**

Pursuant to the Industrial Action Programme for LDCs, emphasis was placed on the operational activities of UNIDO in human resource and private sector development, privatization programmes, promotion of small- and medium-scale industries, technology transfer and development, rural industrial development, mobilization of financial resources for industrial development, development of industrial service, scientific and technological base, environment and energy, and food self-sufficiency. Thus the following activities were being developed: a programme on manpower development and planning for industry in Botswana; an integrated programme of privatization policies in Burundi and Sudan; human resource development related to private sector development in Chad, Equatorial Guinea, Mali and Zaire; industrial rehabilitation in the Central African Republic, Uganda and Yemen; and small and medium enterprise development in Djibouti, Lesotho and Madagascar.

#### **Selected examples among others of successful stories**

**In Guinea**, a project on integrated assistance in small-scale industries succeeded in creating 38 micro-enterprises in the four main regions of the country during the first phase of the project. Around 100 micro-enterprises were created during the

second phase of three years.

**In Madagascar**, UNIDO assistance was mainly in areas of support to the structural adjustment programme of the Government.

**In Mali**, a project was providing technical support (including training) to local promoters in the preparation of projects for submission to financial institutions when applying for loans, and in the identification and evaluation of appropriate technologies.

**In Rwanda**, a programme was implemented for the mobilization of investment resources through the development of enterprises in the construction sector using local building materials.

**In Zambia**, a project provided assistance in the establishment of a one-stop investment centre. A project to complement the Centre by developing the legal framework necessary to facilitate the management of the Government's liberalization and the private sector development process was promoted.

**In Gambia and Zambia** Programmes to promote the integration of women in rural industrialization with special focus on food processing were carried out.

**Special Programme for the Industrial Development of Asia and the Pacific**, diagnostic missions were carried out to most LDCs to analyze the constraints hampering the development of the agro-industries, particularly food processing. This work culminated in a UNIDO/ESCAP regional workshop on agro- and food processing industries in Asia and Pacific LDCs, including Yemen (Bangkok, November 1992). Programmes under implementation or completed during 1992 in the region included a comprehensive industry sector needs assessment mission to Cambodia, a review of investment promotion potential in the Maldives and Vanuatu, an investment forum in Nepal, and a large-scale programme for strategic management of industrial development in Bangladesh.

#### **Few examples of technical assistance figures 1990-1992**

Approvals of projects for LDCs in 1990, amounted to 126 projects in the priority areas of industrial services, human resource development, rural development, small-scale industries, rehabilitation, industrial promotion and investment, etc. A total of 34 out of the 42 LDCs were assisted or about to benefit for UNIDO technical co-operation in the concerned period of 1990-1992.

New approvals generated for LDCs amounted to \$14.46 million in 1992, (1991: \$11.02 million) representing 100 projects, while net approvals amounted to \$15.73 million in 1992 (1991: \$19.03 million). Delivery reached a level of \$23.73 million in 1992 (1991: \$22.29 million).

#### **1993-1994 Technical Assistance Activities**

UNIDO assistance to the least developed countries continued to focus on follow-up activities related to the implementation of the Paris Declaration and the Programme of Action for the LDCs. As in previous years, the work of the LDC Coordinator was characterized by a high degree of collaboration with all substantive organizational sections of UNIDO. That cooperation took place in respect of activities for LDCs within the framework of special programmes, policy documents and reports as inputs to meetings. Series of workshops, technical assistance programmes in the field and symposia were also implemented. Based on studies carried out for the 1991 workshop on the industrialization of the LDCs, the Industrial Action Plan and the Industrial Action Programme for the Least Developed Countries, a report was published in January entitled "Industry in the Least Developed Countries - Structure and Development".

#### **CREATION OF A REGIONAL TISSUTHEQUE**

Development of "seed" programmes continued to be an important initiative of UNIDO for LDCs. As a follow-up to the traditional textiles in West Africa, a second phase - building and upgrading of national capacity in traditional textile and entrepreneurship development - was formulated and submitted for financing. Meanwhile, a feasibility study for the establishment and operation of a regional tissuthèque in West African LDCs was undertaken and successfully achieved in the West African LDCs. The outcome is being published in 1995 in the form of self-help guidebook and traditional textiles book aimed to assist the respective artisans, Governments and other entrepreneurs in the creation of their own national tissuthèque and traditional textile industry.

#### **TSS-1 : UNIDO Headquarters missions to LDCs**

TSS-1 missions were sent to Lesotho, Sierra-Leone, Guinea, Togo in 1992. In 1993, the same missions were undertaken to Burundi on development of micro-enterprises; to the Comoros on the evaluation of the industrial sector with emphasis on small and medium industry; to Ethiopia on capacity-building in human resource development and on economic and technological change in the public and private sector; and to Sudan on the development of small-scale enterprises and industry. Programming missions were sent to Ethiopia and Haiti, while formulation missions were fielded to Lao People's Democratic Republic and Niger. A review mission was sent to Bangladesh, while a preparatory mission to Yeme dealt with the industrial rehabilitation of seven industrial enterprises and private sector development.

#### **Investment Promotion Activities**

The activities covered the area of mobilizing financial resources for industrial development and exploring investment promotion capabilities. As such, assistance has been provided to Guinea, Madagascar, Mali and Nepal. The Investment Promotion Centre in Sudan was strengthened in performing its investment advisory functions and promotion services. The second phase of

a project on mobilization of investment resources for small and medium enterprises and industries in Burkina Faso, Guinea, Guinea-Bissau and Mali is under implementation in 1995. UNIDO also assisted in establishing an investment promotion centre in Zambia which is now operational with an optimal organizational structure in place. In the United Republic of Tanzania, assistance to the Investment Promotion Centre included the provision of expert advice and training staff in priority subsectors and identifying investment opportunities for promotion. An Industrial Development Fund (IDF) project under implementation with financing from India involves a diagnostic study of the needs and requirements of the Investment Office of Ethiopia. In Togo, in early 1994 a three-year programme was completed of two UNDP-financed projects for assistance to industrial enterprises in their restructuring and pre-investment activities. Under a global project, a feasibility study was completed for a dairy-processing plant in Gambia. A project is also under implementation in regional Africa benefiting the Central African Republic, Chad and Equatorial Guinea.

#### **Private Sector Development**

In private sector development and privatization, UNIDO supported a project under national execution in Mali to formulate a policy favourable for encouraging private sector enterprises. Support was also extended to the Ministry of Industry of Ethiopia in hosting the Seventh International Conference of the World Assembly of Small and Medium Enterprises. In Mauritania, assistance has been provided to improve the efficiency of existing activities and to promoters in the formulation and evaluation of their projects. Through a World Bank credit-funded project, assistance was provided to support the privatization of state-owned enterprises in Sudan. In September and October 1993 for English-speaking African Countries in Dar-es-Salaam, United Republic of Tanzania, and in June 1994 for French- and Portuguese-speaking African countries in Guinea-Bissau, two workshops were held on privatization policy, strategy and practice, which brought together senior public enterprise managers, policy-makers and prominent scholars to share experience, learn strategic skills and assess how privatization techniques may be used to help LDCs to achieve faster economic progress. At the same time in June 1994, a programming mission was undertaken in Guinea-Bissau.

Priority has been given to the development of small and medium enterprises (SMEs) in LDCs in view of the great potential offered by these industries in building up a broader and more resilient base for industrialization and their overall contribution to long-term social and economic progress. In line with the emphasis placed by LDCs on SMEs, UNIDO has strengthened and expanded its activities in that area. Notably, assistance to LDCs accounts for 64 per cent of all projects carried out by the Small and Medium Enterprises Branch.

In Guinea, phase I of a UNDP-funded project on SME development in the provinces has produced encouraging results,

featuring financing the creation of 38 enterprises. Similar integrated projects are ongoing in other African and Asian LDCs. In Zaire, the strategy focusses on building up the capabilities of local consulting firms in Kinshasha and Bukavu to provide services to SMEs and of local savings and credit cooperatives to lend to SMEs. In Ethiopia, a training workshop was conducted in cooperation with the Ministry of Industry to familiarize 30 bureau officers with various aspects of industrial promotion issues based on market mechanisms and decentralized administration. A programme was formulated to assist the provincial offices of the Mozambique National Institute for Local Industry Development in Niassa and Cabo Delgado. Capacity has been established within the Ministry of Commerce, Employment and Trade of the Solomon Islands to provide assistance to develop small-scale industries. Benin and Lao People's Democratic Republic were assisted in the formulation of a national programme framework for private sector development with focus on SMEs. In Burkina Faso, preparatory assistance will help to create the first association of SME entrepreneurs and to establish an efficient network of services responding to the real needs of SMEs; a large scale-programme for SME creation and support was to start in September 1994 with services ranging from the preparation of bankable investment projects to adaptation of technology.

#### **Human Resources Development**

UNIDO assistance to LDCs in the areas of human resources and development of national capabilities focused primarily on upgrading capabilities of nationals at all levels (i.e. management, artisans, entrepreneurs) by conducting training and fellowships programmes, study tours and workshops. Such programmes were undertaken in Burundi, Cape Verde, Madagascar, Niger, Uganda and United Republic of Tanzania. Similar training programmes have been promoted in other countries in Africa (Burkina Faso, Ethiopia, Madagascar, Malawi, Uganda) and also in Asia (Bhutan, Myanmar, Nepal). A training programme for women entrepreneurs in the food processing sector is under implementation in Gambia. In Sudan, a project financed by the United Nations Population Fund provides assistance to rural women in 24 villages in the Shendi area. In order to upgrade and update essential oil know-how, including processing and quality assurance aspects, four scientists from Bhutan were trained in the United Kingdom of Great Britain and Northern Ireland. The "seed" programme in West Africa for the promotion of traditional textiles progressed towards its objective of drawing up a viable regional-level long-range plan of action. A tissuthèque aimed at the reactivation of the cultural and traditional textile industry in West African LDCs will be established.

#### **Building Institutional Capabilities**

UNIDO is assisting Bhutan, Mali, Nepal and Zambia in building institutional capabilities within the Ministries of Industry for industrial planning, formulation and implementation of industry-related environmental policies. Assistance to Nepal



is strengthening the capability of the Federation of Nepalese Chambers of Commerce and Industry to provide information to the private sector business community, to assist its members in enhancing exports and to joint ventures and to provide selected training. UNIDO assisted Bangladesh and Uganda in enforcing standardization, quality control and national testing.

### **Restructuring and Rehabilitating of Existing Industrial Enterprises**

An accounting plan introduced with UNIDO assistance for industrial enterprises in Sao Tome and Principe will be followed up by a new project designed to provide plant-level support in adapting to the requirements of the new plan. An industrial development project is being carried out in Ethiopia for developing plant-level operational systems in order to improve enterprise performance. In the United Republic of Tanzania, the Government Economic Recovery Programme places emphasis on rehabilitation of the industrial sector with UNIDO assistance.

### **Environment Protection**

Environmental protection and resource conservation are also important factors associated with the industrialization of the LDCs. In line with the recommendations of the UNIDO Conference on Ecologically Sustainable Industrial Development, UNIDO is assisting Nepal in building institutional capabilities within the Ministry of Industry for the formulation and implementation of industry-related environmental policies, pollution control plans and programmes. Assistance provided to the essential oil industry in the United Republic of Tanzania will also contribute to the reduction of environmental pollution.

### **Industrial Information and Data Base Systems**

In the field of industrial information, assistance was provided to Guinea, Madagascar, Malawi, Sierra Leone and Sudan in the establishment of a national industrial statistics programme for elaborating a reliable data base to facilitate the provision of information services to industrial enterprises. Similar projects are in the pipeline for other LDCs such as Burundi, Rwanda, the United Republic of Tanzania and Zambia.

### **Special LDCs Programme for Asia and Pacific**

Assistance to LDCs continues to be the centerpiece of the Special Programme for the Industrial Development of Asia and the Pacific. The emerging trend in UNIDO services to LDCs of the region relates to up-front activities such as studies resulting in concrete policy and strategy recommendations. Such studies include rural industrialization for employment generation in Bangladesh and industrial policy option in Western Samoa (both financed from technical support services at the programme level), and a review of the building and construction materials industry in Bhutan. UNIDO obtained donor commitments for the establishment of model and demonstration tannery effluent

treatment facilities in Nepal, revival of traditional roof tile manufacturing in Lao People's Democratic Republic and the manufacturing of bicycle tyres in Cambodia. Within the framework of the Special Programme for the Industrial Development of Asia and the Pacific, UNIDO continued to target all specially-allocated resources to the agro-related metalworking and food-processing industries in the LDCs of the region.

#### **African Financial Community's Workshop**

A subregional workshop was organized and conducted to assess the impact of the devaluation of the CFA (African Financial Community) franc on the manufacturing sector of the West African Monetary Union held at Bamako, Mali, in June 1994. A similar workshop was held at Brazzaville, Congo in December 1994 for Central African least developed countries and others of the subregion. The programme addressed mainly the difficult situation of the concerned African LDCs in West and Central Africa.

#### **LDCs and Financial Institutions**

Cooperation with financing institutions has continued to take place at different levels of activities undertaken for LDCs. For example, close contacts and active cooperation with the World Bank, African Development Bank and Asian Development Bank have become a standard feature in both regional and national investors fora, as well as related follow-up activities. An example was the Investors Forum in Lusaka, Zambia held in January 1994 for the Preferential Trade Area for Eastern and Southern African States now called Common Market for Eastern and Southern Africa (COMESA).

#### **ON-GOING TECHNICAL ASSISTANCE ACTIVITIES IN 1995**

In 1995, the year of the Mid-Term Global Review of Progress towards the implementation of the Programme of Action up to end April, when this document was prepared, around 35 projects have been approved or have been submitted for approval in LDCs during the first quarter of 1995.

As at April 1995, in line with the priority sectors identified by the LDCs and outlined in the Industrial Action Programme for the LDCs, UNIDO's ongoing activities in the LDCs amount to 176 projects in Sub-Saharan Africa, 35 in Asia, 2 in the Americas, 2 Global and Interregional and 14 in African Arab States and 3 in West Asian Arab States.

#### **Human resource development**

UNIDO is providing assistance to Burkina Faso in a programme for industrial maintenance. In Lesotho, the small- and medium scale industry development and informal sector promotion are under implementation. UNIDO is undertaking a second phase national seminar in Mauritania, on the analytical accounts in industrial enterprises. In Mozambique the development of small-

scale industries in the region of Nampula, Cabo Delgado and Niassa will be under implementation in the current year 1995, while in Ethiopia assistance to spare parts and hand tools factory is provided to strengthen the manufacturing capabilities. In Sao Tomé and Príncipe the phase III of plant-level support in adapting to the requirements of the new plan have been designed and under implementation.

### **Emphasis on Agro-Industries**

From 1991 special efforts have been made to secure funding from a specific donor for projects benefiting a number of LDCs and aimed at processing basic raw materials, e.g. a techno-economic study for the installation of a small Kenaf-based paper unit in Mali. The same donor expressed interest in developing the project into a regional one, including Burkina Faso and Guinea. The regional Africa hides and skins, leather and leather products improvement scheme includes several LDCs in East and Southern Africa. The same donor is interested not only in contributing to funding the programme, but also in developing a similar one for West Africa, where 13 LDCs are located.

Special emphasis has been provided to the agro-industries sector in Guinea, where UNIDO is assisting the production of dairy products. In Guinea's Matoto region a detailed programme on a recycling factory for household goods has been approved for immediate implementation. In Madagascar a programme has been formulated for sustainable ecological development. Through UNDCP financed regional projects, UNIDO is assisting Madagascar, Uganda, the United Republic of Tanzania, Zambia and Nepal, in the prevention and drug law enforcement and legal assistance sectors. UNIDO projects have been approved and are due to start during the first semester 1995 in Mozambique, for the preparation of commercial refrigeration systems. In the United Republic of Tanzania and Sudan the preparation of an investment project in the aerosol sector has been developed as well as an investment project in the refrigeration sector is under implementation. With UNIDO's assistance a training programme for women entrepreneurs for food processing industry has been developed in Myanmar.

Further the implementation of the first phase of the seed programme "Promotion of the Traditional Textiles Industry in West African LDCs", the phase II of this seed programme is due to start for implementation in 1995: it is entitled: "Promotion of Traditional Textile Industry in Mali and Guinea: Building and upgrading of national capacity in traditional textile and entrepreneurship development".

A training seminar **on quality management in food-processing industries in LDCs** is due to be held in Bangkok, mid-August 1995. An Expert Group Meeting on Food Safety and Quality Control Systems in Asian and African LDCs is due to be held in the second quarter of 1996 in Bangkok.

From 30 November to 8 December 1995 the Third LDCs

Ministerial Symposium: "Sustainable Private Sector Development and Accelerated Growth of Industrial Enterprises in LDCs" will be held in Vienna, Austria. A preparatory Expert Group Meeting was held beginning April 1995 in Kathmandu, Nepal where recommendations have been prepared for consideration by the Third LDCs Ministerial Symposium.

Number of delegations from LDCs, such as: Benin and United Republic of Tanzania, have been invited to UNIDO Headquarters for advisory purpose, to discuss the sectorial orientation of their countries.

The UNIDO's technical assistance programme to LDCs is due to be strengthened during the second half of the decade 1990s. It is expected that the Meeting of Governmental Expert Donor Countries and Multilateral and Bilateral financial and Technical Assistance Institutions with Representatives of the LDCs will open new perspectives to UNIDO's technical assistance to LDCs.

#### **Case of African LDCs and the Industrial Development Decade for Africa (IDDA)**

The preconditions for successful accelerated African industrialization have to take into consideration several changes that have taken place at the international level. The first is that of increased economic integration and the formation of large trading blocs. The second major change is the re-emergence of South Africa as a major economic force in African development. A third development is the devaluation of the CFA Franc, which has altered the basis of competitiveness for a number of African countries and will have important medium-term effects on their industrial growth.

Two special characteristics of African industry are particularly noteworthy and represent a desirable focus of international support. The first is that the manufacturing sector in most African countries, especially the least developed countries (LDCs) is small, undiversified and contains only a small number of enterprises. The consequence is that the sector usually lacks the critical mass for self-sustaining growth and the provision of skills and technology base through the expansion of inter-industry linkages.

The second characteristic of African industry that has particular relevance for support programmes is its lack of international linkages. Exports of manufactures provide an important means by which skills and product quality are upgraded and access to information on markets and technologies is improved. However, Africa's manufactured exports are at an extremely low level and they lack the dynamic impetus given by such linkages. The low levels of foreign investment mean that this is also an inadequate channel for the provision of skills, technologies and international market access.

In 1995, the IDDA technical assistance funds (XA) have been programmed with a package of 13 projects, all except one of which

include LDCs. Four other individual country projects were approved at the same time, all of which were for LDCs. In STAS, there were 34 assignments in 1994. 24 of these were to LDCs and one to ECOWAS, whose membership is mostly LDCs.

In supplementary activities, country coverage does not always apply as a concept. However, of the three investment fora, two are for LDCs or including LDCs such as Uganda and Ethiopia. Other supplementary activities covering LDCs include the CFA French workshops to be organized in 1996, and they will of course be involved with CAMI, the Private Sector Forum and the Eastern and Southern Africa Private Sector meeting. Under supplementary activities it is also intended to provide support to the revision of IDDA national programmes in a number of LDCs, especially those that were the object of industrial sector programme review missions held in 1994, together with Angola and Mozambique.

The proposal has been made that 50 per cent of the IDDA funds in 1996-97 be devoted to the African LDCs.

**PART III: MEASURES FOR ENSURING THE FULL AND EFFECTIVE IMPLEMENTATION OF THE PROGRAMME OF ACTION : OVER THE SECOND HALF OF THE DECADE 1995-2000**

**A) UNIDO'S EXPERT GROUP MEETING FOR THE SUSTAINABLE PRIVATE SECTOR DEVELOPMENT AND ACCELERATED GROWTH OF INDUSTRIAL ENTERPRISES IN LDCS, KATHMANDU, NEPAL 4-8 APRIL 1995**

At the eve of the mid-term global review of the implementation of the Programme of Action for LDCs for the 1990, the preparation of the Third LDCs Ministerial Symposium to be held from 29 November to 8 December 1995 and the venue of the UNIDO's General Conference to be held from 4-8 December 1995 in Vienna. UNIDO organized an Expert Group Meeting for the Sustainable Private Sector Development and Accelerated Growth of Industrial Enterprises from 4-8 April 1995 in Kathmandu. The objective was to establish new measures for ensuring the future development of the private sector in LDCs within the context of the Programme of Action for the LDCs and the UNIDO's Industrial Action Programme for LDCs over the second half of the decade 1990s.

The Expert Group Meeting discussed the following topics for the second half of the decade:

- i) Policies implications for Private Sector Development in LDCs
- ii) Institutions support functions for private sector development in LDCs
- iii) Policies and programmes on privatization and restructuring in LDCs

- iv) Accelerated growth of industrial enterprises in LDCs
- v) Development of competitiveness in selected sectors in LDCs
- vi) Quality, standardization and metrology "QSM" in LDCs
- vii) Mobilization of financial resources - role of UNIDO, together with other international agencies and donors of international community in financing accelerated private sector development in LDCs
- viii) Financing the industrialization of LDCs

The concluding plenary session proposed series of measures for a programme of Action for the Third Ministerial Symposium within the framework of the Sixth Session of UNIDO General Conference to be held from 28 November 1995 to 8 December 1995.

#### **B) UNIDO'S TECHNICAL ASSISTANCE PROGRAMMES TO LDCS TOWARDS 2000**

In reference to the impact of the Uruguay Round Agreement on the LDCs economies, UNIDO for the second half of the decade 2000, is proposing a rapid diversification of the industrial production, in particular, through the processing of local products and strengthening of research and development for a more self-sustained agricultural research and food processing activities. This will require an increased industrial production through a more efficient resource allocation according to the comparative advantage of each LDC.

##### **1. PREPARATION AND IMPLEMENTATION OF INTEGRATED SECTORAL PROJECTS APPROACH DURING THE SECOND HALF OF THE DECADE 1990S**

Specific priorities and means to implement them will necessarily vary among the LDCs according to their unique endowments and needs.

The Second Ministerial Symposium stated that it was in the interest of the world economy that industrialization efforts in the LDCs be vigorously promoted. The assistance of UNIDO should help LDCs to build up national strategies concentrating on the following major policy axes:

- o Creation of stable macro-economic conditions and mobilization of financial resources for industrial development and adoption of policies to reduce poverty by creating employment opportunities.
- o Development of agro-based industries.
- o Promotion and strengthening of local entrepreneurship and state governance for supporting industrialization.

- o Human Resources Development with emphasis on managerial development.
- o Industrial Rehabilitation.
- o Privatization.
- o Support to small and micro-enterprises.
- o Transfer of technology.
- o Transport and communication.
- o Support to the trends of local and foreign investments.
- o Women in industrial development.
- o Eco-industry and energy.
- o Environmental protection in Sahelian LDCs and the LDC Islands.

Referring to the above, UNIDO is formulating for the second half of the decade, its technical assistance programme in a strict respect of the Industrial Action Programme for the LDCs and in addressing the crucial issue of financing the industrialization of the LDCs as stated in GC.4/Res.9, GC.4/Res/10 and GC.5/Res.16.

Special attention will be given to the development of industries which use local natural resources to produce finished goods or intermediate goods as inputs into other industries for national, regional markets. Emphasis will also be given to the international markets in case the production will achieve the level of competitiveness, corresponding to the standard of ISO 9000 and other pre-conditions of survival of LDC industries. As due, UNIDO will promote and assist industries which will maximize the use of local natural resources based on the training and maximum utilization of the local skilled manpower.

## **2) PROSPECTS FOR AN INTEGRATED STRATEGY OF UNIDO'S TECHNICAL ASSISTANCE TO THE LDCS TOWARDS 2000**

The LDCs being basically producers of primary products and having an obvious potential of developing local resource-based industries, UNIDO necessarily should assist them in developing their basic natural resources. Many LDCs in Africa and Asia produce a large number of crops suitable for processing. For most of those countries, processing of agricultural products for local consumption appears to be the most likely ground for development of an industrial sector with all related industrial development programmes, such as follows:

- o Technical and managerial human skills development

- o Agro-based industries
  - industries for processing agricultural products such as cocoa, coffee, palm nuts, sugar cane, groundnuts, and various other grain, fibre and oil crops;
  - industries for raising and processing poultry, fish, cattle and by-products thereof;
  - industries for processing locally grown food and fruit products;
  - industries producing agricultural inputs and implements, tools and spare parts, construction materials, textiles, chemicals, wood products and animal feed.
  - related agro-based industries such as processing of all resources occurring naturally under earth's crust and mining towards engineering and metallurgical industries.
  
- o Investment facilities aimed for promoting sustainable industrialization such as industrial estates and traditional market squares.
  
- o Private sector development based on the accelerated growth of the micro-, small- and medium-scale industries in LDCs (rehabilitation, privatization and establishment).
  
- o Environmental protection in Sahelian LDCs and the LDCs islands
  
- o Micro enterprises operations such as informal and micro-enterprises handicrafts operations projects.

### 3) **SECTORAL NATIONAL INTEGRATED PROGRAMMES IN LDCS**

As far as the projects, related to the application of an integrated strategy of UNIDO technical assistance to the LDCs towards 2000 are concerned, there is a need to carefully reassess the pattern of industrial development of the concerned customer and elaborate alternative options based on the existing natural resources and potential human skills and local policy environment. UNIDO will more and more assist LDCs in function of an LDC national strategy of "tailor made process". For instance, it is a fact that Chad and Vanuatu, both LDCs, but fundamentally different, should not benefit from the same kind of technological assistance projects of "prêt-à-porter".

Referring to the above, UNIDO is readjusting its conceptual approach of assistance to the 48 poorest countries of the International Community. An integrated industrial development programme is being undertaken in each LDC with direct linkages with agriculture, agro-processing, micro and small enterprises development in rural and urban areas. The concerned integrated industrial development will cover various stages such as identification of industrial processing products, training of managers and entrepreneurs, in particular women, marketing of



industrial finished products, development of SMIs and micro-enterprises, provision of credit and assistance in acquisition and application of appropriate technology, provision of institutional support facilities, such as industrial estates, entrepreneurship incubators and development of linkages with foreign enterprises through investment promotion.

**C) MEASURES TOWARDS 2000 CORE UNIDO INDUSTRIAL PROSPECTS FOR AN INDUSTRIAL SECTORAL PROGRAMMING PROCESS FOR 1995/2000**

The following measures towards 2000 are the results of series of the Expert Group Meetings, Conclusions and Recommendations of the First and Second Ministerial Symposium organized by UNIDO since 1991. It is a strict interpretation in project ideas conceived as a function of the needs of the LDCs. Therefore, they respond to the implementation of the Programme of Action of the Second United Nations Conference on LDCs and the Industrial Programme for LDCs.

**GLOBAL FRAMEWORK**

Macroeconomic conditions (Finance including domestic and external resources)

Rigidities in LDCs' economies, fiscal imbalances, monetary instability, pricing policies, and insufficient attention to individual enterprises which are some of the causes identified for the lack of success seen by LDCs in their growth and development strategies for objectives of UNIDO aim to establish an appropriate and flexible legislative and macroeconomic policy framework as an enabling environment for industrialization; mobilize domestic resources for investment in industry as only few LDCs have managed to increase gross domestic savings rates above 10 per cent. The general promotion of domestic savings will have to be accompanied by suitable institutional development, including at a local level to allow decentralized access to commercial investment capital by small-scale and rural industrial enterprises.

So far as **External resources** are concerned, and given that LDCs in general have limited capacity to generate investible surpluses for investment in industry, there is a need for foreign direct investment (FDI) both in terms of new investment and investment related to rehabilitation of existing production capacities. UNIDO will therefore strengthen its investment's promotion policy for mobilizing increased FDI resources including, where necessary, encouragement of local participation in FDI by way of partnerships, to ensure continuity of industries.

Bearing in mind that the progress in LDCs towards a more diversified manufacturing base has not been great, it is foreseen that manufacturing activities should be concentrated in a few subsectors. Typically, food processing amounts to more than 50 per cent of manufacturing activity. This implies the need for

more emphasis on small and medium industry, but also on export diversification since this is capable of strengthening the domestic economy and providing greater stability and predictability in export earnings. Therefore, the objective would be to diversify industrial products and identify and develop new export markets in cooperation with other UN Agencies such as ITC for a better increased access to markets for industrial exports of LDCs.

### **ENTERPRISE DEVELOPMENT**

The past emphasis in most LDCs on public sector enterprises in a broad range of manufacturing areas has run into operational and financial constraints and led to an inefficient allocation of economic resources. UNIDO intends to increase the supportive role of viable public industrial enterprises by assisting in raising the efficiency, productivity and competitiveness of suitable public enterprises and where necessary to rehabilitate, privatize and/or dissolve them.

UNIDO will strengthen its efforts in promoting private sector industry in increasing a favourable and enabling economic environment for local entrepreneurship and private sector initiatives.

#### **Rural industrial development**

In many LDCs, modern small-scale industries are still of minor importance in rural areas. It is therefore important to enhance their contribution to industrial development in rural areas, so as to improve the living conditions of their population. Such objectives aim at combating poverty and making better use of the available local natural resources, based on ecologically sustainable rural industrial development, through the development and promotion of rural small-scale industrial enterprises.

The objective also remains the development of agro-related industries.

#### **Industrial services and technology development**

A major weakness of industrial development in LDCs is the absence of supporting industries, particularly services. This lack of supporting industries, services and institutions has been identified as a major obstacle to LDCs industrial development.

It is also within the objectives of UNIDO to increase energy-efficiency in industry that also includes use of alternative energy sources.

#### **Efficient energy use**

Inadequate and unreliable energy supplies have contributed to slow industrial growth in many LDCs, balance-of-payments

difficulties.

### **Human Resource Development**

Generally, LDCs face a severe shortage of the skills necessary for industrial development. The reported lack of quality labour, covering the whole spectrum from top- to middle-level management, engineering and technical skills in quality control and maintenance, and skilled and semi-skilled labour in production calls for intensified efforts to improve the human resource base for industrial development in LDCs. Training and education, especially higher education, is often too theoretical, more geared to meeting the requirements of the public sector than the needs of industry. This includes rural small-scale industry, for which improvement of the human resource base is also necessary. UNIDO will continue its technical assistance programme to LDCs in improving the quality of manpower, including top-, middle- and lower- level managers, engineers and technicians, and skilled and semi-skilled labour in production.

### **Transport and communications**

The severe difficulties and handicaps which many LDCs face arising from land-lockedness and geographical isolation create an urgent need for the improvement and development of both national and regional transport and communications for industrial development. The difficulties are especially in the areas of delays and unreliability of supplies and in reaching export markets, together with associated high transport costs of goods. In the longer term these difficulties have fundamental negative consequences for development of technology and market structures. UNIDO intends to assist LDCs in improving national and regional transport and communications infrastructure to meet the needs of industry.

### **Harmonization of aid and debt relief for sustainable industrial development of LDCs**

The burden of debt, including bilateral concessional debt, with which many LDCs are faced, continues to be a major hindrance to industrial growth and to realization of development plans, making economic adjustment with sustained growth very difficult, as was recognized at the Second United Nations Conference on the Least Developed Countries. The ODA required to meet these growth targets will depend on such variables as debt-relief programmes, non-concessional capital inflows from private and public sources, and reserve requirements, all of which are subject to great uncertainties. UNIDO will cooperate with LDCs for a better effectiveness of increased ODA and LDC industrialization will thus depend to a large extent on better harmonization between the debt-relief mechanisms and ODA programmes.

### **Industrial Data Base for LDCs**

The state of data and information of the manufacturing industry and other sectors of the economy in LDCs is poor. Data

gaps affect every sector including industry. If strategies for industrialization and sustainable growth with equity are to be developed in the LDCs, the industrial information system must be developed and improved, as a matter of urgency.

The objective of UNIDO for the second half of 1990s is to improve information on manufacturing industry and economic sectors at national and regional levels.

### CONCLUSIONS

UNIDO will continue its efforts in LDCs during the second half of 1990s. At sectoral level UNIDO will translate the components of the Industrial Action Programme into specific steps at the subsectoral institution level. Preparation of operational programmes of technical cooperation for groups of LDCs, including specific analysis of requirements and supply possibilities for technical cooperation in various fields including: Agro-food processing; Fish processing; Textiles; Clothing; Leather and leather products; Construction materials; Chemical industries; Metalworking (including agro-related, repair and maintenance); Wood products; Telecommunications.

At the policy and institutional level, Programmes will be developed in: Industrial rehabilitation; restructuring and privatization; Rural industrialization; Small- and medium-scale industry (including informal sector); and entrepreneurship development; Industry-related services.

At National level, UNIDO will maintain its efforts in analyzing the complex difficulties of socio-economic development in LDCs.

The problems of one sector cannot be solved in isolation. The linkages between actions at the sectoral, national, subregional and international levels should be taken into account. Although manufacturing sector is still small in LDCs, it is the focus of development aspirations and a potential source of dynamic growth. The special characteristic requirements and possibilities have to be taken into account in reviewing the socio-economic development of LDCs and the measures taken to achieve this. At the same time it is recognized that the wide range of products and processes encompassed by manufacturing make this a difficult task, for which detailed and frequently updated technical analysis will be a continuing requirement.

The survival of least developed countries depends mainly on their full capability of mastering the tools of a sustainable industrialization.