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UNIDO Country Directors' Seminar and  
Regional Meeting for Asia and the Pacific  
Tokyo, Japan, 1-6 October 1990

REPORT

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## INTRODUCTION

1. In response to the decision of the Industrial Development Board 1/ regarding the holding of SIDFA\* meetings to provide opportunities for the exchange of information, experiences and ideas among SIDFAs and between SIDFAs and the Headquarters staff, the United Nations Industrial Development Organization (UNIDO), with the support and cooperation of the Ministry of Foreign Affairs of Japan, held a regional meeting of UNIDO country directors (UCDs) from Asia and the Pacific in Tokyo from 4 to 6 October 1990. The Regional Meeting was also attended by JPOs and by UNIDO staff from Headquarters and from the Investment Promotion Service in Tokyo as well as by representatives of the Economic and Social Commission for Asia and the Pacific (ESCAP), the United Nations Development Programme (UNDP) and the Asian Development Bank (AsDB).

2. It having become evident at an early stage of planning for the Regional Meeting that such a gathering of UCDs and others would provide a significant opportunity for senior staff to become acquainted with Japanese thinking on development and aid in the industrial branch of the public and private sectors, it was decided that the Regional Meeting would be preceded by a Seminar, to be held from 1 to 3 October, also in Tokyo. Like the Regional Meeting, the Seminar would have the support not only of the Ministry of Foreign Affairs of Japan but also of the Ministry of International Trade and Industry (MITI), the Japan International Cooperation Agency (JICA) and the Japan Federation of Economic Organizations (Keidanren). Unlike the Regional Meeting, which would be attended mainly by UCDs and other UNIDO staff, the Seminar would also be attended by representatives of the Government of Japan and by Japanese aid organizations, private companies and trade and professional associations. Thus, the Japanese public and private sector would become familiarized with the role and activities of UNIDO in developing countries. Emphasis was placed on new modalities of cooperation with the private sector, especially in respect of investment and partnership.

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\*Senior industrial development field advisers (SIDFAs) were renamed UNIDO country directors (UCDs) as per Memorandum of Understanding between UNIDO and the United Nations Development Programme (UNDP) of April 1989.

## I. ORGANIZATION OF THE SEMINAR AND REGIONAL MEETING

### Joint opening of the Seminar and Regional Meeting

3. The Coordinator of the Field Representation and Coordination Section of UNIDO introduced the speakers at the opening ceremony.

4. Mr. Eiichi Tamori, Vice-President of the Japan International Cooperation Agency (JICA), welcomed the Director-General and the other UNIDO participants, the representatives of the Ministry of Foreign Affairs of Japan and the participants from other public and private organizations to JICA International Centre.

5. In his introduction, the Vice-President referred to Japan's development since the Second World War and highlighted the importance of industrial development, an area that JICA technical cooperation was increasingly emphasizing. He stressed the importance of developing the export-oriented industries in developing countries. He hoped, in conclusion, that the Seminar and Regional Meeting would be characterized by fruitful discussions that would lead to effective conclusions and recommendations.

6. Mr. Takekazu Kawamura, Deputy Director-General of the United Nations Bureau of the Ministry of Foreign Affairs of Japan, welcomed all participants to the Seminar and Regional Meeting. He stressed the importance of industrial development as the driving force in achieving a higher level of development. In that respect UNIDO had a series of functions which would not only facilitate industrial development but also allow it to act as a catalyst in the industrial development process. In that sense, he emphasized the importance at strengthening the ability of UNIDO at the field level. Mr. Kawamura also pointed out the importance of communication between Japan and UNIDO, which had common interests, and said that the Ministry of Foreign Affairs would do its utmost to facilitate such communication. He encouraged the participants to express their views and to create an atmosphere conducive to a frank exchange of opinions during the Seminar and Regional Meeting.

7. The Director-General of UNIDO welcomed the representatives of the Government of Japan and the Japanese private sector, his colleagues from UNIDO Headquarters and the UCDS from Asia and the Pacific. He thanked the Ministry of Foreign Affairs of Japan for its contribution to the funding of the Seminar and Regional Meeting. He also thanked the Ministry of International Trade and Industry, the Japan International Cooperation Agency and Keidanren for their support.

8. The Director-General stressed that UNIDO must do its best to exercise its central coordinating function in industrial development, an area where the UCDS had a key role to play. He expressed the wish that everybody would contribute to a common vision of a better UNIDO and a better world and declared the UNIDO Country Directors' Seminar and Regional Meeting for Asia and the Pacific open.

### Organization of the Seminar

#### Attendance

9. The UNIDO Country Directors Seminar for Asia and the Pacific, held from 1 to 3 October 1990, was attended by 12 members of UNIDO Headquarters staff, 11 UCDS, 3 JPOs, 2 members of the Investment Promotion Service staff in Tokyo and 33 representatives of the Government of Japan and the private sector in Japan. There were also approximately 40 observers (see annex).

Topics covered

10. The Seminar focused on three topics:

(a) Industrial development in Asia and the Pacific through investment promotion and cooperation of the private sector;

(b) The present situation of development cooperation, bilateral and multilateral, for countries of Asia and the Pacific;

(c) Management techniques.

Other activities

11. The Seminar also included a special lecture entitled "UNIDO at the Cross-road and UCDS as Innovators on the Frontier" and a visit to the Fuchu Works of Toshiba Corporation.

Organization of the Regional Meeting

Attendance

12. The UNIDO Country Directors Regional Meeting for Asia and the Pacific, held from 4 to 6 October 1990, was attended by 12 members of UNIDO Headquarters Staff, 11 UCDS, 3 JPOs, 2 members of the Investment Promotion Service Staff in Tokyo and representatives of ESCAP, UNDP and AsDB (see annex).

Agenda items

13. The agenda items were as follows:

(a) Agenda item 1: UNIDO activities and the role of UCDS in the Asia and Pacific region;

(b) Agenda item 2: the fifth programming cycle and other funding;

(c) Agenda item 3: review of the implementation of UNIDO projects in the region;

(d) Agenda item 4: investment promotion, transfer of technology and consultations;

(e) Agenda item 5: UNIDO field representation programme.

Other activities

14. A special session on the sectoral support cost allocation of UNDP was held between the planned sessions on agenda items 2 and 3.

## II. UNIDO COUNTRY DIRECTORS' SEMINAR FOR ASIA AND THE PACIFIC

### A. Introductory business

15. The Coordinator of the Field Representation and Coordination Section of UNIDO welcomed the participants to the Seminar and introduced the Chairman of the Seminar, Professor Mikoto Usui, Tsukuba University, and the two Vice-Chairmen, Mr. Susumu Fujimoto, Director, Economic Affairs Division, United Nations Bureau of the Ministry of Foreign Affairs of Japan; and the Director of the Industrial Policy and Perspectives Division of UNIDO.

### B. Opening lectures

16. The Director-General of UNIDO emphasized the importance of industrializing the developing countries. He summarized the overall trends shaping that industrialization process and proceeded to describe the situation prevailing in the Asia and Pacific region. Based on that situation, he went on to draw some conclusions about the development prospects for the region.

17. Mr. Kikuo Ikeda, Acting Chairman of the Committee on Economic Cooperation, Japan Federation of Economic Organizations (Keidanren), presented his organization's views on economic cooperation.

### C. Special lecture

18. Immediately before the consideration of topic 3 (below), Professor Usui presented a special lecture entitled "UNIDO at the Crossroads and UCDs as Innovators on the Frontier". The topic was an important one, and despite touching upon areas of controversy, it was well-received.

### D. Presentations and discussion

#### Topic 1. Industrial development in Asia and the Pacific through investment promotion and cooperation of the private sector

#### Presentations

19. Mr. Reinosuke Hara, President of Seiko Instruments, Inc., and a member of the Special Advisory Group to the Director-General of UNIDO, spoke on private foreign direct investment for re-deployment and technology transfer in the Asia and Pacific region.

20. Mr. Tatsuo Shiaku, Managing Director of the Japan International Development Organization Ltd. (JAIDO), spoke on the activities of that organization.

21. Mr. Hitoaki Yamaguchi, Managing Director of Engineering Consulting Firms Association, spoke on cooperation between UNIDO and his organization.

22. The Director of the Industrial Cooperation and Funds Mobilization Division of UNIDO spoke on the direct support given by UNIDO to industry and industrial partnership and cooperation.

23. The Head of the UNIDO Investment Promotion Service in Tokyo spoke on the Investment Promotion Service in Japan.

## Discussion

24. Broad consensus was reached on the need for enhanced cooperation between UNIDO and Japan, especially in private sector development.

25. Participants placed special emphasis on assistance by UCDs to least developed countries, which were still not able to attract and expose themselves to private foreign direct investment.

26. It was thought that UNIDO could play an important role in guiding inexperienced small- and medium-scale entrepreneurs from Japan towards overseas investment and cooperation opportunities. UNIDO was urged to expand its working contacts in Japan through its Investment Promotion Service in Tokyo and its UCDs, so that a number of Japanese institutions concerned with small- and medium-scale industrialization might become aware of the potential of UNIDO.

27. To promote cooperation between the private sector and development finance institutions in Japan on the one hand and the private sector in developing countries on the other hand, several financing options were suggested:

- (a) Venture capital fund;
- (b) Loan guarantee fund;
- (c) Preparatory fund for trust fund operations;
- (d) Joint venture programmes;
- (e) Investment incubator facilities.

28. Consideration should be given to the possibility of providing UCDs with special petty funds for reaching small operators in developing countries. That would enable UCDs to accommodate and respond quickly to the varied needs of that type of cooperation.

29. It was generally acknowledged that Japan was an abundant source of technology and know-how for industrial development at both the macro and micro levels. UNIDO could help to transform such potentially useful technological and entrepreneurial resources, especially those of small and medium industries, into an effective agent for international industrial cooperation.

30. It was recognized that natural resources alone did not guarantee sustainable industrialization. Rather, a dynamic industrial culture that favoured efficiency and competition was a prerequisite for, as well as a consequence of, industrial development.

31. In that connection, total quality control was singled out as an area where Japan was known to have a comparative advantage. However, it was noted that total quality control was not a concept that was mechanically transferable; rather, it was an instrument for stimulating the evolution of a culture and conventions conducive to dynamic industrialization on the basis of a particular local social institutional heritage.

32. It was pointed out that to overcome the high cost of Japanese experts, a special formula should be found for supplementing salary costs through the Japanese bilateral overseas development assistance resources.

33. UCDs should be in a position to provide briefing to Japanese missions and also to organize missions for industrialists in developing countries to come to Japan to identify potential joint venture partners.

34. UCDs should also be in a position to organize, jointly with interested Japanese parties in private industry, seminars in developing countries, and they should cooperate more actively with the Investment Promotion Service in Tokyo. In addition, it would be useful for UCDs to follow up on industrial training programmes conducted in Japan and on the activities of Japanese experts abroad.

35. The participants were generally impressed by the tendency of Japanese bilateral cooperation programmes and institutions, official or private, to be self-contained, rather than open-ended, vis-à-vis the opportunities for linking them with multilateral facilities. Large industrial corporations in a country like Japan should not try to associate themselves with multilateral public organizations like UNIDO just to exploit them, as was typically the case with small operations in small countries. The world community was counting on philanthropy on the part of such large corporations, in the best sense of the term, and the scale of the giving should be as global as possible.

Topic 2. The present situation of development cooperation, bilateral and multilateral, for countries of Asia and the Pacific

Presentations

36. Mr. Nobuyoshi Kakuma, Managing Director, Mining and Industrial Planning and Survey Department of JICA, spoke on the situation and problems of bilateral Japanese industrial development cooperation for the countries of Asia and the Pacific. He pointed out that JICA, in its technical assistance programme, was following the project approach, with the aim of creating a capability within the developing countries for self-help initiatives. Mr. Kakuma also mentioned that JICA was giving great importance to the development of the infrastructure, especially in Asia. He highlighted the prevailing tendency within JICA to move away from large-scale projects and towards small- and medium-scale projects.

37. The Deputy Director-General of the Department for Programme and Project Development of UNIDO spoke on the multilateral and multi-bi-cooperation programme of UNIDO in the Asian and Pacific region.

38. The UCDs in China, Indonesia and Turkey made presentations on the coordination of UNIDO activities with bi-lateral programmes at the field level in their countries of assignment.

Discussion

39. It was repeatedly suggested that more use should be made of experts from Japanese industry. In that context, the Regional Meeting was informed that, so far, only a few Japanese experts had been involved in UNIDO projects. Two limiting factors were mentioned: firstly, the high costs of hiring them and, secondly, the rather limited number of Japanese experts on the UNIDO roster. Hence, it was suggested to tap the JICA roster. Further, hope was expressed that Japanese industry would be more willing to release staff so they could take part in UNIDO technical assistance projects.

40. A Japanese representative confirmed the difficulties of recruiting Japanese experts at the United Nations rate of compensation and added that the same problem had been experienced by the World Bank. However, arrangements

had been made, and a special fund was being set aside within the World Bank to overcome the problem.

41. From the standpoint of UNIDO, one of the difficulties of hiring Japanese experts was its limited flexibility to create special arrangements to finance experts beyond the established rules. The suggestion was made to use the Japanese contribution to IDF to cover the higher costs.

42. It was suggested that retired Japanese experts or businessmen should be increasingly involved in technical assistance projects under special arrangements. Such a scheme would not only help to reduce costs but would at the same time make excellent use of the accumulated knowledge of the retired experts.

43. Mr. Akira Akiyama, representing Japan Silver Volunteers, explained the process of recruiting retired people, who were all over 40 years of age and had worked in industry since the Second World War. He pointed out that the Association tried to meet specific requests from developing countries. The duration of their assignment was generally short, ranging between four weeks and a few months. So far, China was the main beneficiary of the programme, which had provided approximately 100 experts annually. He added that despite low personnel costs there had been some difficulties in meeting the costs of the assignments. JICA had in some cases assisted by paying for air tickets.

44. The idea was put forward that JICA projects could be partly executed by UNIDO, using the specialized know-how and/or management services of the latter. In that context, it was felt that the full potential for cooperation between UNIDO and JICA had yet to be tapped. It was pointed out that all JICA experts (about 1,000) were Japanese, and Japanese consultancy firms carrying out assignment for JICA were allowed to employ up to 25 per cent foreign staffs.

45. One means of fostering closer cooperation between JICA and UNIDO would be to establish regular contacts at the field level.

46. It was noted that industrial production was becoming more and more sophisticated through advanced technology, including electrical devices. Labour costs were no longer the main basis for choosing a country in which to invest, as they often accounted for only 10-20 per cent of the total production cost. The infrastructure, including, for example, that which supported automation in manufacturing industries, was now a much more important determinant. It was suggested that UNIDO should bring the importance of infrastructure to the attention of Governments in both developing and developed countries. It could also assist in the revitalization of local technical companies. It was important to be wary of the idea that everything could be done in one country. It was suggested that revitalization at developing countries' industry was being pursued through UNIDO projects with Japanese Trust Fund sponsoring.

47. It was noted that some countries had very little opportunity to carry out automation and revitalization and that some countries in Africa had hardly any industry and thus nothing to rehabilitate, while others already had an extensive industrial infrastructure. In that context, participants referred to the successful agreement between UNIDO and the International Institute for Applied Systems Analysis, which could contribute to automation and infrastructure.

### Topic 3. Management techniques

#### Presentations

48. Mr. Shigeo Yamamoto, Executive Vice-President of the Japan Management Association, gave an introduction to Japanese management techniques. He explained in great detail the origin and development of the prevailing technique in Japan.

49. Mr. Nagazki Yamamoto, Director-General of the Association for Overseas Technical Scholarships (AOTS), explained his organization's programme and activities.

50. The Deputy Director-General of the Department of Industrial Operations of UNIDO spoke on the industrial operations activities of UNIDO.

#### Discussion

51. Participants at the Seminar emphasized the importance of the software component for industrial development and technical cooperation, including management techniques.

52. It was pointed out that efforts to assimilate foreign technologies to a given domestic situation, considering the wide cultural background, were of great importance.

53. The necessity of creating, in each establishment, an atmosphere of positive participation in technology transfer and innovation at every level, from top management to on-line workers, was recognized.

54. The participants stressed the importance of creating an atmosphere of positive participation in technology transfer and innovation in the whole society, including not only in business but also in academia, management consulting companies and professional associations.

55. It was strongly recommended that cooperation should be strengthened between UNIDO and entities in Japan, including training institutions like AOTS.

56. Emphasis was put on institution building and on the development of human resources for industrial and overall development of each individual business, sector or association level and at global country level.

57. Finally, the participants highlighted the importance of incorporating the above-mentioned factors in the future technical cooperation activities of UNIDO for developing countries.

#### E. Visit to the Fuchu Works of the Toshiba Corporation

58. The third day of the Seminar consisted of a visit to the Fuchu Works of Toshiba Corporation. The participants included senior staff from UNIDO Headquarters and UCDS and JPOs from the Asian and Pacific region.

59. Mr. Y. Wakumoto, the Senior Vice President of Toshiba Corporation, welcomed all representatives of UNIDO to the Fuchu Works and expressed the hope that the visit would be interesting for everybody and then described the Toshiba Corporation.

60. Mr. H. Koike, the Deputy General Manager of the Fuchu Works, greeted the guests from UNIDO and proceeded with a description of the Fuchu Works. After the presentations, the participants were taken on a conducted tour of the following three departments: Power System Control Equipment; Power Generation Control Computer Systems; and the Model Designing and Engineering Automation Room.

61. After lunch, presentations on the following three topics were made:

- (a) Total productivity activities carried at Toshiba;
- (b) The quality management system implemented by Toshiba;
- (c) Toshiba's investment policy for the Asian region.

62. On behalf of the Director-General of UNIDO, the Deputy Director-General of the Department for Programme and Project Development thanked the Toshiba Corporation for its excellent presentation and for the opportunity to have UNIDO introduced to the company.

III. UNIDO COUNTRY DIRECTORS' REGIONAL MEETING  
FOR ASIA AND THE PACIFIC

Agenda item 1: UNIDO activities and the role of UCDS in the Asian  
and Pacific region

63. The Director-General outlined the situation of UNIDO, which had had a remarkable period of growth. There had been a significant increase in the delivery of technical assistance, which was expected to have been \$US 160 million in 1990. Capacity constraints were already reported both by UNIDO Headquarters and the developing countries.

64. UNIDO had also been increasingly involved in the promotion of direct foreign investments. The promotion of joint ventures reached \$US 400 million in 1986-1987 and increased to \$US 1 billion in 1988-1989, of which \$US 600 million alone had been realized in the Asian and Pacific region. The Director-General encouraged UCDS to explore new ways of promoting joint ventures. In that connection, he also mentioned that cooperation with the World Bank had proved successful as developing countries appreciated additional advice given by UNIDO.

65. Mention was also made of the difficulties arising from the depreciation of the United States dollar relative to the Austrian schilling, which was affecting the payment of Headquarters staff. Higher delivery and greater efficiency were needed to compensate for the exchange rate losses.

66. The Director-General also elaborated on the change in the concept of UNDP support costs, which would almost certainly have a negative effect on UNIDO after 1994.

67. After the introductory remarks of the Director-General, the Regional Meeting proceeded with the country presentations of the UCDS and the JPOs.

68. The Regional Meeting took note of the fact that many UCDS were to varying degrees involved in non-UNIDO work. That signified the integration of UCDS into the UNDP offices. The areas of involvement were private sector development and other UNDP programmes and activities related to industry and technology where UNIDO itself was not directly involved.

69. There was general agreement that UCDS were fully occupied and responsible for the entire industry sector pursuant to the Memorandum of Understanding entered into between UNIDO and UNDP. The Memorandum was working, although in some cases it had had the effect of circumscribing the scope and level of bilateral contacts. The financing of the UCD programme should take full account of the broad range of services provided to field offices in the context of the Memorandum of Understanding and General Assembly resolution 44/211 in strengthening the office of the resident coordinator.

70. The Regional Meeting took note of the appreciation expressed by the representative of UNDP for the UCDS and the further strengthening of the sectoral support in industry provided by UNIDO. That sector was now the second largest programme in the region.

71. The Regional Meeting noted the widespread support for the UCD programme in UNIDO and UNDP, particularly the regional bureaux of the latter. The allocation of the share of the \$US 30 million earmarked for sectoral support should therefore take into account (a) the continuation of UCDS in the offices of resident coordinators, (b) General Assembly resolution 44/211 and (c) the

UNIDO commitment to joint action and joint financing with UNDP of sectoral support.

72. The Regional Meeting recognized that the linkage between sectoral support and support costs needed to be clarified. UCDs should contribute to the review process under way in respect of both sectoral support and support costs in the framework of General Assembly resolution 44/211 and decision GC/90/34 of the Governing Council of UNDP at its 1990 June session in Geneva. It further underlined the need for a renegotiation of the \$US 30 million ceiling set for sectoral support in light of the real financial implications of a full UCD service and the trend towards enhanced decentralization to the field and under the constraints of zero growth imposed on the Organization. The Regional Meeting endorsed the need for further negotiations with UNDP through the review/evaluation of the UCD programme that UNDP had initiated.

73. There was agreement that UNDP and UNIDO were following the same approach with regard to the promotion of the private sector. IPF resources could be instrumental in developing programmes and projects in that regard because they could lead to substantial trust fund projects of significance to developing countries.

74. The Regional Meeting noted that UNDP needed to reduce administrative costs as its financing demands grew in response to changes that had occurred in Eastern Europe, environmental concerns and the debt crisis. It further recognized that UNDP could not be sure of how the UCD programme was to be financed until the outcome of ongoing consultations was known. UCDs could contribute to the dialogue in respect of two issues: (a) parity and (b) how the cost of providing UCDs service could be equitably met.

75. With regard to the restructuring of UNIDO it was recommended that the Field Representation and Coordination Section should be strengthened. Perhaps the UCD programme could be attached to the Office of the Director-General.

76. In respect of specific country issues, the following proposals were put forward by the UCDs:

- (a) The promotion of technology incubators;
- (b) The promotion of tax-free zones and the development of marine resources in small island countries;
- (c) The alleviation of poverty by the development of small- and medium-scale industries and entrepreneurial development;
- (d) Modernization and rehabilitation by means of a sharper focus on quality control, packaging and the search for market niches;
- (e) Attention to environmental issues to foster the sustainability of industrial development;
- (f) Facilitating the flow of information through industrial partnership and cooperation for development schemes and short-term advisory services;
- (g) The establishment, under IPF, of a guarantee scheme to promote entrepreneurship and the undertaking of feasibility studies to identify the optimal projects;

(h) The use of IPF to attract optimal foreign investment and purchase of equipment;

(i) The establishment of a guarantee fund scheme to facilitate the development of entrepreneurship;

(j) Technical assistance in strategic planning to facilitate the participation of the private sector in the achievement of national economic objectives;

(k) Promotion of a creative environment for the development of technical cooperation in contrast to a reactive response;

(l) The integration of environmental issues in development programmes.

77. UNDP was asked to provide clear guidelines on the programme approach.

78. The participation of representatives of ESCAP and ASDB was especially welcomed as it would enhance coordination and cooperation at the field level.

79. Technical cooperation among developing countries was still viewed as an instrument for developing horizontal cooperation, which should be increased.

Agenda item 2: The fifth programming cycle and other funding

80. Agenda item 2, the fifth programming cycle of UNDP, was addressed in a presentation of the UNDP Deputy Regional Director, Regional Bureau for Asia and the Pacific, and in presentations of senior staff from UNIDO Headquarters.

81. With regard to the presentation of UNDP, the Regional Meeting said that in designing the country programme for the industry sector, the UCDs should consider the following aspects:

(a) Environmental implications of industrial development;

(b) Involvement of women in industrial development;

(c) Increased emphasis on human development and poverty alleviation;

(d) More work with non-governmental organizations, particularly local ones;

(e) Promotion of joint ventures with multi-national corporations to obtain management and technology as well as investment and access to markets;

(f) UNIDO, together with UNDP, should emphasize private sector involvement in its programmes;

(g) Assist the divestiture of public sector enterprises;

(h) Technical cooperation among developing countries, particularly in regional projects;

(i) Strengthening of management in ministries and other governmental institutions.

82. UNIDO should sensitize industrialists and workforces to the danger inherent in the spread of AIDS and the possible disruption of industrial production.

83. The Regional Meeting referred to the advantages of a mixed modality of project execution and agreed that such a modality, as favoured in some of the larger IPF programmes, would be preferred. The possibility of a reduction in posts at UNIDO Headquarters was anticipated in the event of increased national execution and failure to retain a 13-14 per cent support costs overhead.

84. The programme thrusts for the fifth programming cycle were recognized to be as follows:

- (a) Poverty alleviation;
- (b) Science and technology;
- (c) Research and development;
- (d) Human resources development;
- (e) Energy and the environment;
- (f) Financial flows, especially in the context of the Gulf crisis;
- (g) Women in development.

85. The national execution mechanism put forward by the Governing Council of UNDP to pursue the above objectives was questioned in terms of effectiveness, efficiency and the principles of the tripartite system which had so far guided the role of the agencies. There was general agreement that several countries in the region either (a) were not yet ready or (b) wished to give more time to assuming the modality.

86. The Regional Meeting underlined that national execution was an evolutionary process in which UNIDO and UCDs were expected to play a crucial role in determining the technical and administrative details. The issue was addressed in General Assembly resolution 44/211, and solutions would be sought within the framework of TSS 1 and TSS 2. At the same time, the decision of the Governing Council should take account of its implications for UNIDO, namely (a) the budgeting process for the 1992-1993 biennium, (b) the continued viability of the UCD programme in the light of the spirit and letter of General Assembly resolution 44/211 and (c) the programme priorities and thrust of the fifth programming cycle.

Agenda item 3: Review of the implementation of UNIDO projects in the region

87. The Deputy Director-General of the Department of Industrial Operations summarized the implementation of UNIDO projects in the Asian and Pacific region.

88. The Regional Meeting recognized the paramount importance of improving the quality of technical assistance projects. To that end, a management system based on the team approach had been introduced at UNIDO Headquarters. It was stressed that UCDs had an important role to play, especially in that area.

89. Special mention was made of project delays. The following causes were given:

- (a) Lack of experts;

- (b) Low quality of backstopping officers;
- (c) Too many layers of project appraisal;
- (d) Slow and/or infrequent information flow between Headquarters and the UCDs.

90. To overcome the above-mentioned shortfalls, a number of recommendations were made, including the following:

- (a) Expansion of the roster;
- (b) The use of consultants to advise on the selection of equipment;
- (c) General appraisal of IPF-funded projects should not be exercised at Headquarters;
- (d) Only technical clearance on IPF projects should be given by Headquarters;
- (e) UCDs in local PACs should recommend projects for Headquarters appraisal;
- (f) Experts and chief technical advisers already in the field should be informally consulted for appraisal purposes;
- (g) UCDs should receive feedback on the technical aspects of appraisals made by Headquarters;
- (h) Delivery reports should be made available to UCDs on a monthly basis;
- (i) Need to establish a mechanism in Headquarters to facilitate the rapid exchange of information.

91. The Regional Meeting agreed that the appraisal process in Headquarters should be completed within four weeks of receipt of the draft project document.

92. The view was expressed that the problem faced by UNIDO was not the low quality of the project documents but the quality of the projects themselves. It was therefore recommended to involve more preparatory assistance. In addition, the country focus of projects should be enhanced.

Agenda item 4: Investment promotion, transfer of technology and consultations

93. The Director of the Industrial Technology Promotion Division elaborated on investment promotion, transfer of technology and consultations.

Agenda item 5: UNIDO field representation programme

94. In introducing agenda item 5, the Director of the Special Measures and Activities Division informed the UCDs of recent developments at Headquarters concerning the UNIDO environment programme and drew attention to the role of UCDs in programme and project generation and in contributing to the preparatory process for a United Nations conference on the environment and development, scheduled to be held in Brazil in 1992.

95. The Coordinator of the Field Representation and Coordination Section gave a substantial presentation on a variety of matters concerning the field representation programme. The Memorandum of Understanding of April 1989 on field representation was explained, and matters related to its implementation in the field were discussed in detail.

96. The Coordinator raised the topic of finance and policy and gave an introduction to the various types of financial arrangements for UCD posts. He also spoke about duty travel, UCD office budgets and the extension of contracts in light of financial constraints.

97. He then gave an overview of UCD coverage in the Asian and Pacific region and pointed out the need to increase the number of UCDs in the region. Priorities were listed.

98. The JPO programme was briefly touched on, and the desire to expand that programme in the region was expressed. It was generally recognized that JPOs made a valuable contribution to UNIDO. It was strongly recommended to provide JPOs with career counselling.

99. The Regional Meeting was informed about the conclusions of the UCD regional meetings in Senegal and Bolivia.

Special agenda item: UNDP sectoral support cost

100. The agenda was amended to accommodate a special session on the allocation of UNDP sectoral support costs, which was being reviewed by the Special Consultant to UNDP, who joined the UCD Meeting.

101. The Deputy Director-General of the Department for Programme and Project Development pointed out that UNIDO was the only specialized agency with field representation integrated in the UNDP office and that UNDP resident representatives were also representing UNIDO while the UCDs were serving as deputy resident representatives with the industrial sector as their portfolio. He stressed that that arrangement was considered a model for the United Nations system, and other agencies were expected to follow. He pointed out that, should the small agencies receive a large portion from the sectoral support costs, UNIDO might not be in a position to realize its projected increase in UCD posts. As many UCDs covered several countries and were, accordingly, unable to execute their function in an appropriate manner in the countries of non-residence, more UCDs were urgently required. The Deputy Director-General added that it was extremely difficult to finance UCD posts from the regular UNIDO budget, as that budget would have zero growth.

102. The Special Consultant explained the terms of reference for his assignment. He was to enhance the technical assistance of the United Nations system, especially in the area of industrial development. The Governing Council would decide on how to split the \$US 30 million support costs between UNIDO and smaller agencies. His function was to advise on that decision.

103. The Special Consultant explained in detail the successor arrangements, which include TSS 1 (project level) and TSS 2 (project implementation). TSS 1 and TSS 2 would be 2 per cent each. Ten per cent would be for operational costs, which would be taken from the IPF. In case of national execution, this would remain in the IPF.

104. The Special Consultant asked the UCDs a number of questions:

(a) Why was the UCD target 50? What were the criteria for posting a UCD in a country?

(b) If the number of UCDs financed by UNDP should fall from 24 to 19, could UNIDO make up for the difference? What was the minimum number of UCD posts needed to carry out the UNIDO mandate?

(c) The use of TSS 1 and TSS 2 was still to be determined. Would UNIDO want UCDs to be financed from that?

(d) Had Governments sought advice from UCDs on general policy matters? For controversial matters, the United Nations might provide non-political advice;

(e) What proportion of UCD time was spent on non-UNIDO matters? How much of UNIDO project work was UNDP-funded? What type of non-UNIDO activities were undertaken by UCDs?

105. The Special Consultant distributed a questionnaire to the UCDs and asked them for an immediate reply. The questions concerned their activities related to UNDP in the field offices.

106. Replying to the questions of the Special Consultant, the Director-General said that the number of 50 posts had been set in previous recommendations of the IDB but it was not a fixed number.

107. Therefore, \$US 30 million was a tentative allocation, and the Council should consider an increase of income allocation in order to comply with the requirements and to approach the target figure. In fact, in all regions, many countries were still covered by non-resident UCDs. The Regional Bureaux, the Resident Representatives and also the countries themselves had requested that new offices should be established, and in some instances strong political pressure was being brought to bear on UNIDO for placing UCDs. The non-solution of the problem did in fact represent increased political damage to the Organization's policy on its field representation.

108. Furthermore, the Director-General indicated that the shortfall in UCD budgets (the possible allocation of \$US 19 million at a cost of \$US 200,000 annually for one UCD office would represent only 19 posts), and the uncertainty in the results of the negotiations on the use of TSS 1 and TSS 2 made it more difficult to budget for the next five years for a programme similar to the present one, so that a shortfall in actual posts might be the result.

#### IV. CONCLUSIONS OF THE REGIONAL MEETING

109. The UCDs expressed their thanks to the Government of Japan and especially to its Ministry of Foreign Affairs for the opportunity to hold the Regional Meeting in Tokyo. Further, they recommended that future regional meetings should be organized in conjunction with bilateral programmes and on a periodical basis.

##### Agenda item 1: UNIDO activities and the role of UCDs in the Asian and Pacific region

110. The UCDs appreciated the Director-General's frankness about the present situation of the Organization, especially about the relations between UNIDO and UNDP; the future of the UCD programme; the support costs; and the plan for restructuring the Organization. The UCDs supported the efforts of the Director-General to solve the financial problems of the Organization.

111. There was acceptance that the Memorandum of Understanding of April 1989 between UNDP and UNIDO was generally working.

112. It was noted and accepted that the responsibilities of UCDs were not confined to UNIDO activities but embraced the entire industrial sector. The financing of the UCD programme should take full account of the broad range of services UCDs provided to field offices in the context of the Memorandum of Understanding and General Assembly resolution 44/211 in strengthening the office of the resident coordinator.

113. The Regional Meeting took note of the fact that many UCDs were involved in non-UNIDO work. That signified the integration of UCDs into UNDP offices. The areas of involvement were basically related to industry and technology where UNIDO itself was not directly involved.

114. The Regional Meeting emphasized that in apportioning the sectoral support allocation, UNIDO should take into account (a) the non-UNIDO workload of UCDs in the offices of resident coordinators, (b) the need for greater UCD representation in the field, (c) UNIDO commitment to joint action and financing with UNDP of sectoral support and (d) the need for additional UCDs in the region.

115. The Regional Meeting recognized that there was a linkage between sectoral support and support costs and that the linkage needed to be clarified. UCDs should contribute to the review process currently under way in respect of both sectoral support and support costs in the framework of General Assembly resolution 44/211 and decision GC/90/34 of the Governing Council of UNDP at its session at Geneva in June 1990. The Regional Meeting underlined the importance of strengthening the field presence of UNIDO and the need to expand the UCD programme, particularly in view of the UNDP trend towards decentralization to the field level. The Regional Meeting noted that the \$US 30 million ceiling set for sectoral support might need to be reviewed in the light of the financial implications of the UCD programme, the trend within UNDP with regard to support costs and the constraints of zero growth imposed on the UNIDO regular budget.

116. There was agreement that UNDP and UNIDO shared identical views in regard to the promotion of the private sector. IPF and non-IPF resources could be instrumental in developing programmes and projects in that regard. It was also recognized that UCDs were highly involved in the promotion of private sector activities.

Agenda item 2: Fifth programming cycle

117. The Regional Meeting noted that the priorities of the fifth programming cycle of UNDP coincided in large measure with the priorities established by the medium-term 1990-1995 plan of UNIDO. The results of country programming exercises conducted in the region showed that those priorities were being followed. It was recognized that the ongoing preparations for the next cycle would provide an excellent opportunity for identifying and promoting programmes and projects that responded to the common objectives of UNIDO and UNDP.

118. The national execution mechanism put forward by the Governing Council of UNDP was questioned in terms of effectiveness, efficiency and the principles of the tripartite system, which had so far guided the role of the agencies. There was general agreement that several countries in the region either were not yet ready to pursue the modality or did not wish to do so.

119. The Regional Meeting expressed concern that the vagueness of the modalities of Technical Support Service 1 (TSS 1) and Technical Support Service 2 (TSS 2) could have a negative impact on the operational budget of UNDP and thus on the continued viability of the UCD programme.

120. The Regional Meeting agreed that the ultimate objective of development assistance was to enable Governments to execute projects nationally. The UCDs were assured that, within UNDP, several facilities were available to finance the preparation of projects by organizations of the United Nations system, e.g. project development facilities, special programme resources and project approvals financed through indicative planning figures (IPF). Under the successor arrangement, TSS 2 could be charged. It was also recommended that the country programme should have an umbrella project for project formulation. There was an urgent need for clear-cut procedures for the compensation of costs for preparatory work in the event of projects being assigned for national execution with little or no agency implementation. There was also a need for guidelines for modalities of national execution.

121. In regard to the financing of the UCD programme during the fifth programming cycle, the UCDs were invited to extend their full cooperation to the review exercise that had been launched by UNDP, including responses to the questions posed by the Special Consultant to the UNDP during the Regional Meeting and to the questionnaire being dispatched from UNDP headquarters. The Director-General listed the critical issues to be addressed: the demand for UCD services in the developing countries, particularly the least developed countries; the relationship between sectoral support and support costs; the prevailing uncertainty of future support cost income with regard to the UNIDO operational budget; the zero growth constraint of UNIDO; and the unresolved question of parity in the joint UNIDO/UNDP financing of the programme.

122. A special request was made to UNDP to provide clear guidelines on the programme approach.

Agenda item 3: Review of the implementation of UNIDO projects in the region

123. It was stressed that the quality of projects was of paramount importance. In that respect, UCDs had an important role to play.

124. The following recommendations were made with a view to improving quality and expediting delivery:

(a) Expansion of the roster;

(b) Where necessary, the utilization of consultants to advise on the procurement of equipment.

125. It was requested that the appraisal process at headquarters should be completed within four weeks of the receipt of a draft project document, in accordance with existing rules and procedures.

126. It was recommended that more preparatory assistance would enhance project design with particular relevance to the country programme.

127. The Director-General instructed the Special Measures and Activities Division and the Area Programmes Division to review the UNIDO appraisal procedures for IPF projects whose budgets were larger than \$US 700,000, with a view to recommending changes in the relevant bulletin of the Director-General in the light of the experience gained.

Agenda item 4: Investment promotion, transfer of technology and consultations

128. The Regional Meeting suggested that UCDs should try to identify more joint-venture profiles to be processed through the UNIDO Investment Promotion Service in Tokyo, Seoul and Beijing and the projects of the Industrial Development Fund (IDF) General Convertible Pool.

Agenda item 5: UNIDO field representation programme, including the environmental programme

129. The UCDs were asked to pay particular attention to the preparatory process for a global conference on the environment and development to be held in Brazil in 1992; to participate in the ongoing national workshops and regional meetings; and to keep headquarters informed of developments taking place at the field level.

130. The Director-General invited the UCDs to generate technical cooperation projects related to the environment and energy as there were good opportunities to mobilize donor assistance. UNDP was also assigning high priority to environmental projects during the fifth cycle.

131. Future UCD and JPO coverage in Asia and the Pacific should give priority to Afghanistan, the Democratic People's Republic of Korea, Myanmar and Nepal to the extent that the availability of funds permitted.

132. The UCDs strongly recommended the strengthening of the Field Representation and Coordination Section and its attachment to the Office of the Director-General in the next restructuring.

Note

1/ "Report of the Industrial Development Board on the work of its fourth session", 10-18 October 1988 (GC.3/2), annex I, IDB.4/Dec.11.

Annex

LIST OF PARTICIPANTS\*

Representatives of the Government of Japan, of the Japanese private sector  
and of Japanese organizations related to industrial development\*\*

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\*There were, in addition, approximately 40 observers from embassies in Tokyo, the Government of Japan, the Japanese private sector and Japanese organizations.

\*\*All participated in the Seminar but not in the visit to the Fuchu Works; they did not participate in the Regional Meeting.

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\*Participated in the Regional Meeting but not in the Seminar.