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Chairman: Mr. Jorge Pablo FERNANDINI
(Peru).

AGENDA ITEM 39

United Nations Industrial Development Organization:
Report of the Industrial Development Board (continued) (A/6703 and Corr.1, chap. IX; A/6715/Rev.1, A/6800, A/6808)

1. Mr. SULEIMAN (Libya) said that the establishment of the United Nations Industrial Development Organization (UNIDO) had been a step forward in international co-operation under the Charter of the United Nations, and reflected international recognition of the importance of industrialization in promoting a higher rate of economic growth in developing countries. As was well known, the rate of economic growth in those countries had slowed down and now represented an annual increase in per capita income of less than two dollars, as against sixty dollars in the developed countries. Moreover, the developing countries' deteriorating terms of trade resulted in an estimated annual loss of more than \$2,000 million and their share of total world exports had declined from 27 per cent in 1953 to 19.3 per cent in 1966. At the recent ministerial meeting of the group of seventy-seven developing countries in Algiers, the developing countries had recommended that the diversification of the production of manufactures and semi-manufactures in developing countries should be carried out within the framework of a new and more equitable international division of labour, that the developed countries should not press the production of commodities produced principally by developing countries but should rather encourage the establishment in those countries of export industries processing primary commodities, and that developed countries and international agencies should provide more, and more effective, technical and financial assistance in order to improve the industrial productivity of the developing countries and their competitiveness in international markets.

2. In considering the need for accelerated industrialization, the importance of speeding up agricultural development should not be overlooked. Those two aspects of development were inseparable, and no sig-

nificant progress could be achieved in one without progress in the other. His delegation therefore fully supported the proposal that UNIDO should be given responsibility for international work relating to the extractive industries in addition to its original responsibility with respect to the processing industries.

3. It was to be hoped that all industrialized countries would participate in the forthcoming International Symposium on Industrial Development to be held at Athens, which would be an important means of furthering co-operation between developed and developing countries. Libya hoped to benefit from the exchange of ideas at the Symposium and to make a modest contribution to its success.

4. His delegation welcomed the agreement between UNIDO and the United Nations Development Programme (UNDP) to assign UNIDO representatives to serve as industrial advisers in the offices of Resident Representatives. Such co-operation between UNIDO and other United Nations agencies would enhance the effectiveness of its work.

5. Mr. ASANTE (Ghana) said that industrial development was achieved by practical action, not academic research, but an organization such as UNIDO was needed to plan, execute and supervise that action and to evaluate results. There was always a danger, however, that that organization might degenerate into a sterile, bureaucratic machine. Consequently, the report of the Industrial Development Board (A/6715/Rev.1) should be given the closest attention, for it established the basic guide-lines which would govern UNIDO's future work. His delegation considered that those guide-lines were in accordance with UNIDO's purposes as set forth in General Assembly resolution 2152 (XXI) of 17 November 1966.

6. His delegation was grateful to the Executive Director of UNIDO for having submitted the programme of work of UNIDO for 1968 (ID/B/20), in accordance with paragraph 207 of the Board's report, and had noted that 1968 would be another transitional year for UNIDO, since the work programme would consist largely of projects for which commitments had already been undertaken, or inherited projects. His delegation hoped that the difficulties of the transitional period would not delay the implementation of the 1968 work programme, and noted with interest that, in implementing that programme and planning operational activities for succeeding years, UNIDO would take full account of the Board's recommendations.

7. With regard to research, which was dealt with in chapter IV of the Board's report (A/6715/Rev.1) report—especially paragraphs 66, 68, 75, 76 and 78—and in operative paragraph 2 (d) of Board resolution 1 (I) (*ibid.*, annex VIII), his delegation was alarmed at

the prospect of UNIDO becoming involved in more abstract and basic research. UNIDO could not afford the luxury of research for its own sake, and the "action-oriented studies and research programmes" referred to in operative paragraph 2 (d) (i) of Board resolution 1 (I) should be designed essentially to meet "the urgent needs of the developing countries in accelerating their industrial development", for that was UNIDO's main purpose according to operative paragraph 1 of that resolution. As indicated in operative paragraph 2 (d) (ii) of that resolution, research activities which did not necessarily have "an immediate and direct supporting role in relation to operational activities" should, where possible, be left to other institutions.

8. His delegation sympathized with the views expressed at various places in the Board's report regarding the need to maintain a balance between the industrial and agricultural sectors of the economy. In its view, however, the promotion of agricultural development was not UNIDO's principal function. Agriculture today was a capital-intensive industry, and rapid agricultural development would inevitably release many workers from the agricultural sector. That fact, together with other economic, social and political considerations, prompted his delegation to emphasize that Government requests alone should form the basis of UNIDO's activities and should determine the related priorities. No preconceived ideas about "soundly based, agriculturally-oriented industrialization" should be allowed to interfere with that principle.

9. That did not mean that UNIDO should not promote contacts with Governments of developing countries and exercise initiative in formulating requests for assistance. On the contrary, his delegation was glad to note that, in accordance with the Board's suggestion, a number of field advisers would be posted to a selected number of developing countries in 1968 to strengthen UNIDO's links with the field and facilitate contacts with government agencies and institutions responsible for industrial development. UNIDO should ensure that the information given in its documents was disseminated among those institutions and that the facilities which it would make available were understood and used.

10. His delegation was glad to note that the Executive Director fully appreciated the need for co-operation and co-ordination with the specialized agencies. In that connexion, his delegation drew attention to paragraph 96 of the Board's report, and reiterated that no petty jealousy should be allowed to impede the essential task of industrial development. Some of the specialized agencies had acquired useful experience in operational field activities and it was only normal for UNIDO to co-operate with them and other bodies in order to attain their common goal. UNIDO had, however, been made responsible for the entire field of industrial development and should therefore play a central role, co-ordinating development activities in an effective way.

11. It was gratifying that the Second Committee had endorsed the Board's suggestion that funds available for industrial development under the regular programme of technical assistance should be placed

directly under UNIDO's control. UNIDO's work was so important that no procedural arguments should be allowed to impede the flow of funds and all avenues should remain open. His delegation, however, considered that direct pledging was the best way of obtaining substantial resources for UNIDO's operational activities. In that connexion, his delegation drew attention to chapter X of the Board's report and stressed the importance of direct contributions and of UNIDO's being in direct control of the funds placed at its disposal for industrial projects. It was to be hoped that the major donor countries would review their position and contribute directly to UNIDO at the pledging conference to be held during the twenty-third session of the General Assembly.

12. His delegation welcomed the fact that UNIDO had already started functioning at its Vienna headquarters, and wished to express its appreciation to the Government of Austria for its co-operation. Those who gave UNIDO moral and financial support deserved the gratitude of the peoples of the developing countries.

13. Mr. BILLNER (Sweden) recalled that his delegation had already expressed the view at the forty-third session of the Economic and Social Council that the report of the Industrial Development Board (A/6715/Rev.1) represented a well-balanced account of its first session and reflected the Board's desire that UNIDO should develop into a dynamic, action-oriented instrument for industrialization. The programme of work of UNIDO for 1968 (ID/B/20) submitted by the Executive Director seemed to be in accordance with the suggestions made by the Board at its first session. The Executive Director had noted that the work programme was rather flexible so as to allow for necessary adjustments in the light of the circumstances, and the Swedish delegation therefore wished to outline its preliminary impressions, since the Executive Director might wish to submit a revised version of the work programme to the Board at its second session.

14. In general, the work programme seemed to correspond to the provisions of the Board's resolution 1 (I), in which the Executive Director had been requested to present future work programmes in a form which would enable the Board to have an overall view, in budgetary terms, of the operational and headquarters activities of UNIDO. However, too much time and effort were still being devoted to non-operational activities. He was aware that the bulk of the projects for implementation in 1968 had been carried over from programmes that had existed before UNIDO's establishment, and that the major organizational problems relating to the transfer to a new headquarters and to recruitment must be tackled before any real changes could be made in the present pattern of activities. It would nevertheless be useful to have some indication of how the Executive Director intended to place more emphasis on operational activities.

15. A number of points in the work programme required further clarification. The hope was expressed in paragraph 35 of document ID/B/20 that additional sources of finance would be found to close or reduce the substantial gap between the available funds and

the planned requirements for expert group meetings and similar programmes. The Swedish delegation believed that more detailed financial information should be available before a final position were taken on that question. UNIDO's research activities for 1968 had been programmed at the same level of expenditure as in 1967. Similarly, no increase had been envisaged in the amount of technical assistance in respect of approved Special Fund (UNDP) projects. Since many delegations hoped that UNIDO would become a major participating and executing agency for UNDP programmes, the figure of \$6.95 million for such projects in 1968 seemed disappointingly low, and it would be interesting to know how that total had been arrived at. It should, however, be borne in mind that project implementation would have to be increased gradually as new staff was recruited, and that no new Special Fund (UNDP) projects had been added in 1967 to the eighteen projects already assigned to the former Centre for Industrial Development. Fortunately, more such projects were likely to be approved by the Governing Council of UNDP at its next session and would no doubt be reflected in the revised work programme for 1968.

16. More detailed information should be given on the Special Industrial Services Programme (SIS). While the very nature of the Programme made it difficult to give any precise advance information, SIS was the only Programme likely to be a major source of new projects for implementation in 1968, and some kind of forecast would therefore be welcome. It was doubtful whether the simple assumption made in the work programme that the rate of growth would be the same in 1968 as in 1967 was realistic.

17. With regard to problems of co-ordination, it was rightly pointed out in the work programme that there were a number of areas in which some specialized agencies, in particular, the Food and Agriculture Organization of the United Nations (FAO) and the International Labour Organisation (ILO), had gained experience in the conduct and implementation of industrial field projects and supporting studies, but that UNIDO had over-all responsibility in the field of industrial development. The Swedish delegation believed that UNIDO must become comparable with other United Nations agencies in respect of staff and organization before it could efficiently exercise its central co-ordinating function. For the time being, at least, there need be no clashes of competence; in any event, the smooth co-operation so essential between United Nations agencies in the field of industrial development required a spirit of mutual understanding rather than any formal division of competence. The growing tendency towards multi-agency projects would both necessitate and promote such co-operation, and was also a sign of increasing realism on the part of Governments in tackling their development problems.

18. It was in the field that the problem of co-ordination became a central issue, and his delegation therefore welcomed the decision to assign a number of field advisers to assist Resident Representatives of UNDP and facilitate contacts with government agencies concerned with industrial development. Those advisers would help Governments to make a realistic

assessment of their industrial development plans, and it was therefore important that they should serve as full members of the Resident Representative's team of technical assistants. The Swedish delegation also welcomed the co-ordination between UNIDO and FAO, in activities relating to fertilizers but wished to point out that another agency—the International Finance Corporation—had also become increasingly active in that area.

19. At its second session, the Industrial Development Board might wish to have fuller information on the general direction and priorities of UNIDO's future activities. Ideally, the Executive Director of UNIDO should be able to tell the Board the number and type of requests that were expected from Governments, how they would be handled, and what financial resources would be utilized, so that the Board could comment on the programme suggested by the Executive Director before approving it. In view of existing programming procedures, particularly those of UNDP, that was unfortunately not feasible. It was, however, reasonably certain that projects which were supported by the Government concerned and could be considered technically and economically sound would be approved by the Governing Council of UNDP. It was therefore important that the Executive Director should have a good idea of the projects that various developing countries would be likely to request from UNIDO and also of the type of projects that might be favoured by UNDP. What was needed was a continuous dialogue between the interested Governments, UNIDO and UNDP. Such a dialogue would be facilitated by the presence of UNIDO's industrial advisers in developing countries, particularly since Resident Representatives would be able to advise them on UNDP's attitude to various kinds of projects. The annual review to be held early in 1968 would be another important feature of the dialogue between UNDP and UNIDO.

20. With regard to the recruitment problems facing UNIDO, the Swedish delegation agreed that it was in UNIDO's own interest to apply the principle of equitable geographical distribution with some flexibility. At the Board's first session, many delegations had stressed the need to recruit staff with practical industrial expertise, and such staff was not easily found. The Executive Director should therefore not be too hasty in filling high-level posts, and should rely on experienced outside consultants and experts who could be recruited for short periods when they were most needed. To facilitate such recruitment, every effort should be made to disseminate information about UNIDO's functions, working methods and structure as widely as possible, and to publicize its activities in the industrialized countries as well as the developing countries.

21. The Swedish delegation wished to reaffirm its support of UNIDO and its belief that the new organization should increasingly focus its attention on operational activities in order fully to realize its potentialities. To facilitate future planning, UNIDO should also extend its co-operation with UNDP and other technical assistance agencies to the fullest extent, and should try to increase the number of industrial advisers in the field as soon as possible.

22. Mr. GREGH (France) said that his delegation considered that industrial development was essential for general economic development, and had therefore welcomed the establishment of UNIDO, which would enable the international community to make greater efforts in that area. No one had ever questioned the need for the developing countries to develop their industries, but the complexity of the problems involved had sometimes led to differences of opinion regarding methods, priorities and the division of responsibility.

23. The report of the Industrial Development Board (A/6715/Rev.1) was in many respects incomplete, but that was quite natural, in view of the complexity of the Board's task. The Board had, in fact, been called upon to give concrete effect to the General Assembly's intentions, as set out in resolution 2152 (XXI), by defining UNIDO's programme of work and its place in the United Nations system. It was for the Second Committee to help the Board by expressing its views on those issues and indicating possible solutions to the related problems.

24. The Industrial Development Board had quite rightly devoted most of its first session to a discussion of the work programme, but its resolution 1 (I) on that subject, merely established general guidelines for a work programme to be drawn up by the secretariat. That work programme (ID/B/20) had been made available for the information of the Second Committee, but since it was not to be approved by the General Assembly, he merely wished to state that it seemed to reflect the views expressed by his delegation at the Board's first session. His delegation considered that UNIDO should be more than a technical assistance body, concerned only with operational activities in the field; UNIDO should be action-oriented, but like all the other organizations which were combating under-development, it should also undertake technical and commercial studies and research that would lead to a better dissemination of industrial information. If UNIDO was to provide countries, on request, with practical assistance, it must be able to support its experts in the field by providing them with the necessary guidance, advice and information. It should, of course, also be careful not to go to the other extreme and undertake long, costly studies of little practical interest. Its work programme should strike a proper balance between technical assistance and research.

25. With regard to UNIDO's place in the United Nations system, some had contended that that organization should be fully autonomous or even independent. His delegation would be the first to support that view if the concept of "independence" meant that UNIDO would be free to make its own choices and adopt its own programme of action. However, his delegation could not agree it that concept meant that UNIDO would rely solely on its own resources and ignore related activities undertaken by other organizations. In his delegation's view, any attempt to steer UNIDO into such a course would only isolate it and do it a disservice.

26. With regard to UNIDO's resources, the General Assembly had envisaged three possibilities: financing from the regular budget of the United Nations for administrative and research activities, UNDP funds,

and resources made directly available to UNIDO for operational activities. Some had contended that UNIDO would not be autonomous until it directly controlled its own resources, but his delegation considered that that attitude could only hamper UNIDO in discharging its functions. Although Governments could make contributions directly to UNIDO, its main source of financing would long remain UNDP. That did not mean that UNIDO would be dependent upon UNDP, for other specialized agencies, such as FAO, also obtained most of the financing for their operational activities from UNDP, but no one had ever implied that they depended upon it. If UNIDO were to depend solely on its own very limited resources and ignore those of UNDP, it would discourage Governments such as his own, which had recently increased their contributions to UNDP, justifying that increase by UNIDO's establishment and expressing the hope that more UNDP resources would be devoted to industrial development.

27. With regard to UNIDO's place in the United Nations system, his delegation was glad to see that the Executive Director wished the organization to co-operate with other United Nations bodies dealing with various aspects of industrial development. France welcomed UNIDO's intention to co-operate with the proposed UNCTAD/GATT International Trade Centre, and hoped that it would also co-operate closely with the regional economic commissions.

28. In conclusion, he expressed the hope that the work of the International Symposium on Industrial Development, in whose preparation his Government had played an active part, would be crowned with success.

29. Mr. CHILESHE (Zambia) said that his country attached great importance to industrial development, which was essential if the developing countries were to develop their economies and use their resources for the maximum benefit of their peoples. The problems of industrialization were, however, very complex, and accelerated industrial development might be difficult to achieve if each developing country tried to industrialize in isolation. Consequently, those countries should take full advantage of the international co-operation provided by UNIDO, although each country must, of course, take the initiative with regard to its own industrial development.

30. UNIDO would, however, be unable to fulfil the hopes placed in it if its resources were not commensurate with the demands made upon it. If sufficient resources were not forthcoming, the developing countries would be obliged to continue to rely upon bilateral assistance, which many of them had found to be unsatisfactory for both political and economic reasons. The Governments of some developing countries considered that government participation was the best way to achieve rapid industrialization, for they had discovered that foreign capital was often channelled to sectors to which they did not accord high priority. It was for Governments, which best understood the needs of their people, to take the initiative in the formulation of industrial development projects, and UNIDO should render assistance

within the framework of priorities established by Governments.

Conference on Trade and Development, which would help to avoid duplication.

31. In conclusion, his delegation welcomed UNIDO's co-operation with UNDP and the United Nations

The meeting rose at 5.45 p.m.

