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DEVELOPMENT AND INTERNATIONAL ECONOMIC CO-OPERATION

Mobilization of financial resources for industrial development

Note by the Secretariat

By decision 40/434 of 17 December 1985, the General Assembly, on the recommendation of the Second Committee, 1/ decided to defer until its forty-first session consideration of the draft resolution entitled "Mobilization of financial resources for industrial development". 2/ The text of the draft resolution is reproduced below.

Mobilization of financial resources for industrial development

The Fourth General Conference of the United Nations Industrial Development Organization,

1. Convinced that financial resources are a key factor for the industrial development of developing countries,
2. Emphasizing that international financial co-operation should be strengthened,
- 3(a) [Concerned at the inadequacy of domestic and external financial resource availability as well as the difficulties of mobilizing financial resources which constitute a major constraint on the industrialization of developing countries,] (Group of 77)

1/ Official Records of the General Assembly, Fortieth Session, Annexes, agenda item 12, document A/40/1009/Add.2, para. 29.

2/ Ibid., para. 5.

3(b) [Concerned at the difficulty of mobilizing financial resources which is a constraint on the industrialization of developing countries;] (Group B)

4. [Aware that in recent years the process of industrial development of the developing countries has suffered severely on account of their high foreign indebtedness, the burden of conditions attached to external financing and the increasing outflow of capital,] (Group of 77 and Group D)

5. [Considering that the payments to be made by developing countries should represent a reasonable percentage of their exports and be tolerable for their economies and industrialization,] (Group of 77)

6. Conscious that aid instruments should adapt to the changing needs of the developing countries,

7. [Conscious that the constant rise in interest rates has further increased the foreign debts of the developing countries, rendering the servicing of debts more difficult and reducing their prospects for obtaining further credit, and substantially inhibiting their industrialization process,] (Group of 77)

8. [Emphasizing that responsibility for the foreign debt problems should be shared by the debtor countries and by the lending countries, the international private banking community and the multilateral financing institutions,] (Group of 77)

9. [Recognizing that the international monetary and credit systems need to be reformed,] (Group of 77)

10. Recognizing the need for adequate financial flows for industrial development,

11(a) [Stressing that even though mobilization of domestic resources in developing countries is of paramount importance, flows of external financial resources are vital in complementing and reinforcing domestic mobilization efforts,] (Group of 77)

11(b) [Stressing that mobilization of domestic resources in developing countries is of paramount importance and that flows of external financial resources are vital in complementing and reinforcing domestic mobilization efforts,] (Group B)

12(a) [Emphasizing the continuing need for official development assistance in providing effective basic infrastructure supportive of industrialization and direct support for industrial development, particularly in the least developed countries,] (Group B)

12(b) [Recalling General Assembly resolution 35/56 of 5 December 1980, containing the International Development Strategy for the Third United Nations Development Decade relating, inter alia, to bilateral official development assistance,] (Group of 77)

12(c) [Reaffirming the need for official development assistance to be increased urgently to the levels as committed in the International Development Strategy for the Third United Nations Development Decade, 3/ inter alia, for providing effective basic infrastructure to support industrialization and direct support for the industrial development of the developing countries,] (Group of 77)

12(d) [Emphasizing the continuing need for official development assistance in providing direct support for industrial development and related basic infrastructure to support industrialization,] (Group D)

13. Stressing the important role of multilateral development institutions in mobilizing and providing financial resources from external sources, and the need to ensure adequate support for those institutions,

14. [Mindful that foreign direct investment can play a substantial role, in the framework of national policies and priorities of the developing countries, as an important source of external financing for industrial development, transfer of technology, managerial expertise and the development of export markets, and that the flow of investment to industrial projects in developing countries depends, inter alia, on a stable and mutually beneficial framework for such investment,] (Group of 77 and Group D)

15. [Aware that a balanced approach to external financing of industry is considered necessary, including funding through official development assistance, other official flows, commercial bank lending and foreign direct investment,] (Group D)

16. [Stressing that additional and adequate external resources on affordable terms as well as internal resources should be mobilized in order to ensure an orderly and sustained revival of industrialization in the developing countries,] (Group of 77)

17. [Aware that, because of the close links existing between peace and development, it is of great importance for the world community to work ceaselessly to promote among nations peace, security, disarmament and co-operation, which are indispensable for the achievement of the goals of economic and social development; creating the conditions for real peace and security would permit an allocation of resources to social and economic rather than to military programmes, which would greatly help to attain the goals and objectives of the United Nations Industrial Development Organization,] (Group D)

18. [Recognizing the need for new international financing mechanisms to cater to the urgent needs of developing countries for financial resources for industrial development,] (Group of 77)

3/ General Assembly resolution 35/56, annex.

19. Also convinced that special attention and consideration should be given to the African region and to the least developed countries, which have the lowest level of industrialization,

20. Bearing in mind that new approaches are called for that encourage greater flow of investment in industrial projects in developing countries, [irrespective of their economic and social systems,] (Group of 77)

21. Drawing attention to the need for all countries to make the most effective use of financial resources in industrial development,

1. Urges urgent consideration, in appropriate forums, of identified issues of international concern, particularly to developing countries, with a view, inter alia, to reviving the industrialization process of developing countries in the context of overall development, with due regard to the need for consideration in the longer-term perspective;

2. Recommends that consideration be given to providing adequate financial support for the developing countries to meet their industrialization needs;

3. Further recommends that international co-operation efforts be directed to facilitating and channelling [additional] (Group of 77) financial resources under [more] (Group of 77) favourable conditions to developing countries to meet their industrialization needs;

4. Recommends that, among possible mechanisms to facilitate further the mobilization of domestic savings and the flow of [foreign direct investment and other] [external financial resources], both public and private, for industrial development, a stable and mutually beneficial framework be fostered;

5. Invites member States to consider the promotion of agreements, including long-term agreements, in the areas of co-production, joint ventures, export-oriented activities in the field of manufactures and the incorporation of technology through licensing and engineering contracts;

6. Recommends developed countries to promote increased investment in the developing countries which so require it, in the sectors which those countries consider appropriate and for the benefit of their development;

7. [Calls upon member States to increase interregional trade in manufactured goods, as well as to encourage the establishment of regional multinational enterprises and facilitate technological co-operation;] (Group of 77)

8. Urges developed countries to implement their commitments on aid volume and modalities as made when adopting the International Development

Strategy and as reaffirmed at the sixth session of the United Nations Conference on Trade and Development; 4/

9. Urges donor countries to implement their commitments on aid volume and modalities as made when adopting the Substantial New Programme of Action for the 1980s for the Least Developed Countries 5/ and as reaffirmed at the sixth session of the United Nations Conference on Trade and Development;

10. [Recommends that a more liberal attitude be adopted in providing quick disbursement of credits, and development assistance for industrial programmes rather than on a project-by-project basis; to this end, multilateral financial institutions, particularly the World Bank Group, should take further appropriate measures;] (Group of 77)

11. [Calls upon member States to promote peace, co-operation and disarmament and thereby permit a reallocation of resources to social and economic development, including the promotion of the industrial development of developing countries;] (Group D)

12. Urges the international community, including the bilateral, multilateral and international institutions and organizations, to intensify their co-operation in the field of financial and technical assistance to the African countries and to the regional and subregional financial and industrial development organizations, in the mobilization of the resources required for their industrial development and the implementation of the programme for the Industrial Development Decade for Africa; 6/

13. Reaffirms that the Investment Promotion Services of the United Nations Industrial Development Organization should continue to identify and promote ways and means of mobilizing additional financial resources for industrial development, particularly in priority industrial sectors and subsectors of the developing countries;

14. [Also reaffirms that Consultations at the global level may cover in particular:

(a) Issues related to the promotion and acceleration of the industrialization of developing countries, as well as to the development of industrial co-operation of all countries;

4/ See Proceedings of the United Nations Conference on Trade and Development, Sixth Session, vol. I, Report and Annexes (United Nations publication, Sales No. E.83.II.D.6).

5/ Report of the United Nations Conference on the Least Developed Countries, Paris, 1-14 September 1981 (United Nations publication, Sales No. E.82.I.8), part one, sect. A.

6/ ID/287.

(b) Topics that are common to a number of industrial sectors;

15(a) Recalls that in respect of the work programme of the System of Consultations for the biennium 1984-1985 work on industrial financing should be pursued with regard to each sector in respect of which Consultations have been scheduled;] (Group of 77)

15(b) [Also reaffirms that in the System of Consultations work on industrial financing should be pursued with regard to each sector in respect of which Consultations have been scheduled;] (Group B)

16. Requests the United Nations Industrial Development Organization:

(a) To co-operate increasingly with the regional organizations and with international financial institutions, in particular the World Bank, in the pursuit of the Organization's activities, including the mobilization of financial resources for the industrial development of developing countries;

(b) To help prepare specific projects for consideration by multilateral development institutions for the industrial development of developing countries;

(c) [To continue to consider proposals on international financing mechanisms for industrial development;] (Group of 77)

(d) [To develop and implement a special programme of assistance to African countries and relevant intergovernmental organizations in mobilizing financial resources for the implementation of the programme for the Industrial Development Decade for Africa as well as the technical assistance programme for the implementation phase of the Decade;] (Group of 77)

(e) To continue to carry out its studies of the industrial investment requirements in selected developing countries;

(f) To assist developing countries, especially the least developed among them, in identifying and designing industrial projects within the framework of their national development objectives and priorities that will attract domestic and foreign resources, and in this context to continue and strengthen its work in preparing feasibility studies;

(g) [To give priority to its programmes aimed at helping developing countries improve their internal procedures for mobilizing domestic savings [and encouraging private foreign and domestic investment] (Group B) for industrial development;] (Group B)

(h) To study relevant mechanisms used by developed and developing countries for mobilizing savings and utilizing financial resources effectively and to provide information thereon to developing countries to assist them in their industrial development; in this regard, particular attention should be paid to financing for small and medium-sized industries.