



Chairman: Mr. Bruce RANKIN (Canada).

**AGENDA ITEM 44**

**United Nations Industrial Development Organization  
(A/8703, chap. VIII; A/C.2/276):**

- (a) **Report of the Industrial Development Board  
(A/8716);**
- (b) **Report of the *Ad Hoc* Committee on Co-operation  
between the United Nations Development Pro-  
gramme and the United Nations Industrial Develop-  
ment Organization (A/8646)**

1. Mr. ABDEL-RAHMAN (Executive Director, United Nations Industrial Development Organization) said that annex I to the report of the Industrial Development Board on the work of its sixth session (A/8716) summarized UNIDO's activities in 1971, while annex II consisted of resolutions 31 (VI)-35 (VI) adopted by the Board at that session. The General Assembly would be required to act *inter alia* on resolution 33 (VI), relating to the second General Conference of UNIDO proposed for 1974 or 1975, and resolution 34 (VI), dealing with the report of the *Ad Hoc* Committee on Co-operation between UNDP and UNIDO. In resolution 32 (VI), the Board had, on the recommendation of the Special International Conference and of the General Assembly, established its Permanent Committee, which would meet for the first time at Vienna in December 1972. The Board had approved UNIDO's programme of work for 1973 and had updated the work programme previously approved for 1972. It had also identified two major questions which were dealt with in specific resolutions: assistance to the least developed among the developing countries (resolution 31 (VI)) and the programme of Special Industrial Services (resolution 35 (VI)).

2. The report of the *Ad Hoc* Committee established under General Assembly resolution 2823 (XXVI) (A/8646) had also been discussed by the Governing Council of UNDP at its fourteenth session and was being submitted to the General Assembly through the Economic and Social Council.

3. Paragraph 19 of the report recommended that the Board and Governing Council of UNDP should examine and submit through the Economic and Social Council to the General Assembly at its twenty-seventh session guidelines covering the basic aspects of the operations of the programme of Special Industrial Services. Those guidelines had been approved by the Board in resolution 35 (VI) and had subsequently been endorsed by the Governing Council. According to paragraph 1 (h) of that resolution, the Administrator and

the Executive Director would jointly establish detailed working arrangements and procedures designed to give effect to the principles it contained. Consultations between the two executive heads had been successfully concluded, and the Administrator of UNDP would shortly issue a document containing the agreed principles relating to the programme of Special Industrial Services.

4. Paragraph 23 of the *Ad Hoc* Committee's report recommended that consultations between UNDP and UNIDO should be arranged at the earliest possible date in respect of multicountry projects in industry, co-ordination in the field of industrial development, special procedures and techniques required for technical assistance in industry, country programming and for industrial field advisers. The previous week, the Administrator of UNDP had initiated policy consultations on those subjects, and arrangements had been made for detailed review and consultation meetings between the senior staff of UNDP and UNIDO on a wide range of projects and subjects of joint interest. UNIDO was also participating, together with all other executing agencies, in the normal machinery of consultation through the Inter-Agency Consultative Board and its Working Group. The periodic policy consultations with the Administrator of UNDP and his senior staff would afford a better understanding of the different aspects of co-operation between the two organizations.

5. Resolution 33 (VI) recommended that the General Assembly should convene UNIDO's second General Conference in Vienna at the most convenient date between June 1974 and March 1975. UNIDO had consulted the appropriate Austrian authorities and had ascertained the various dates when conference facilities were available during that period. The Board had also recommended a number of issues as the basis for the provisional agenda of the Conference; the agenda would be established by the Board at its seventh session and then recommended for approval by the General Assembly. Resolution 33 (VI) also requested the Executive Director to initiate studies which would enable UNIDO to discharge its responsibilities in connexion with the Second United Nations Development Decade, as well as to initiate preparations for the Conference in general. The Executive Director had already consulted the Chairman and other officers of the Committee for Development Planning concerning the possibility that UNIDO might co-operate with it in studies and discussions on the industrialization problems and policies of developing countries in the context of the Second Decade. The Committee had been invited to meet at Vienna and to select the industrialization of

the developing countries as a special subject for discussion in 1974. It was to be hoped that subsidiary bodies of the Committee, as well as its members in their individual capacity, would co-operate with UNIDO in the studies and preparatory documentation for the second General Conference. The Board and its Permanent Committee would hold six or seven regular meetings before the Conference was convened and, since they would of necessity examine all matters related to the preparations for it, they might most appropriately be given the task of serving as the preparatory committee for the Conference.

6. In 1971, UNIDO's total expenditures on operational activities, deriving from six different sources, had amounted to \$17 million, an increase of more than 30 per cent over the 1970 figure of \$12.7 million. The total operational expenditures for 1972 were estimated at \$21.5 million, slightly less than 30 per cent over the 1971 level. It was clear from those figures that requests from developing countries for UNIDO field operations were still increasing rapidly each year. UNIDO's share in the country programmes already approved and submitted to UNDP for 59 countries was likely to be about 11.5 per cent of a total of \$705 million. Over the past five years, UNIDO projects had constituted only 5 or 6 per cent of those financed by UNDP; the increase testified to the priority developing countries were now attaching to industry. The industrial development field advisers had played an important role in assisting resident representatives and advising Governments during the various phases of country programming, and their role in the subsequent stages of programme review and implementation would be even more vital. UNIDO therefore welcomed the decision by the Governing Council of UNDP to increase their number to 30 in 1973, so that more than 100 developing countries could be covered more adequately. UNIDO would continue to co-operate closely with Governments in the preparation of country programmes and would give top priority to their implementation. There was every hope that the indications of UNIDO's larger participation would be further confirmed in the programmes still in preparation.

7. Over the next five years, the World Bank Group planned an aggregate financing for manufacturing industry in the developing countries of more than \$3,000 million, which represented almost two and a half times the dollar level of the previous five years, and an increase in the relative share of manufacturing from 15 to 20 per cent of the Group's total assistance. That increase would be particularly relevant to UNIDO, since it would stimulate more efforts by developing countries to prepare and evaluate industrial projects which would qualify for financing not only by the Group but by regional banks and bilateral and multilateral sources of aid, in co-operation with domestic resources, which on average covered 80 per cent of the cost of industrial projects. In May 1972, UNIDO and the World Bank had agreed to establish a joint programme for the identification and development of industrial projects in the developing countries, to be executed by a special unit in UNIDO, financed jointly by it and the Bank, which would begin operations on

1 January 1974. Close consultations and preliminary operations were already taking place, both as a continuation of previous co-operation and as a preliminary step towards the new programme.

8. In a context in which the financing of industry from multilateral sources was increasing rapidly and the number of requests for UNIDO assistance was also mounting, UNIDO must attach the highest priority to assisting developing countries in establishing their own policies and strategies and increasing their capacity to mobilize their own resources and manpower, technology and finance, for rational and balanced industrial development, and also in profiting to the fullest extent from external resources of information, technology, finance and markets, both regionally and internationally. On the average, developing countries allocated 25 per cent of their development programmes to the manufacturing industry. That was higher than the ratio assigned to manufacturing by IBRD or UNDP. The share of the manufacturing industry in the technical assistance received from multilateral sources was therefore likely to increase sharply, a trend which was already apparent in the country programmes. Against that background, UNIDO's resources under the regular budget of the United Nations remained almost static. The resources available under the regular programme of technical assistance, amounting to \$1.5 million, were being eroded by inflation and higher costs, while the over-all situation with regard to the budget of the United Nations as a whole also affected UNIDO in a manner which would in future be the limiting factor on the services it could provide to developing countries. Sufficient resources were not available for preparing and developing a complex and expanding operational programme in industry. The situation was not made easier by the increasing complexity of procedures, consultations, restrictions and revisions which were likely to burden UNIDO's machinery further in future. So far, UNIDO had managed to deliver a larger programme of technical assistance each year with a central staff which had increased hardly at all. In 1973 there was likely to be a temporary relaxation in the expansion of operational activities, first because of the general delay in preparing projects in the country programming context and, secondly because of the delayed effect of the reduction in the programme of Special Industrial Services during 1972, which had cut project approvals for that year by 60 per cent as compared with 1971. On the other hand, it was gratifying to note that, on 23 October 1972, at the United Nations Pledging Conference on UNIDO<sup>1</sup>, more than 65 countries had announced contributions representing almost a 25 per cent increase over the previous year's level. Particularly welcome had been the pledge by the People's Republic of China, participating for the first time in such a conference; UNIDO looked forward to close and effective co-operation with China. It was also encouraging to note that several industrialized countries which had not made pledges had nevertheless expressed their intention to support UNIDO through direct financing of its operations under specific projects or in the form of associated resources for activities planned jointly with UNIDO.

<sup>1</sup> A/CONF.57/SR.1 and 2.

9. UNIDO's work would benefit greatly from the introduction of types of projects and procedures appropriate to the complex and changing nature of industrial situations. The *Ad Hoc* Committee on Co-operation between UNDP and UNIDO had made a strong recommendation in that respect. The programme of Special Industrial Services had been the most effective and flexible instrument for meeting the industrial requirements of developing countries. UNIDO, in utilizing the voluntary contributions available to it, and in spite of numerous difficulties with non-convertible currencies and multiple negotiations, had developed new forms of technical assistance and co-operation with developing countries and with regional intergovernmental organizations. Examples included the establishment of activities in industrial information and of in-plant training programmes, which had been well received by industry in both industrialized and developing countries. In co-operation with the World Bank and FAO, an integrated long-term programme for the fertilizer industry was being developed. Investment promotion activities had been expanded to cover specific regions and sectors, and individual countries were also requesting such services. It was to be hoped that in 1973 a meeting would be held at Amsterdam on development in the food industries, in collaboration with Netherlands industries and FAO. UNIDO had developed a number of approaches to promoting exports of manufactured goods and development of designs, and improving the quality and market potential of manufactured products from developing countries. A recent meeting on product development, held in co-operation with the United States Agency for International Development and the World Trade Institute in New York, had been attended by more than 15 developing countries. A meeting on licensing and industrial subcontracting was shortly to be held in Paris. UNIDO was establishing jointly with Romania a programme relating to the chemical and petrochemical industry, which it was hoped would encourage similar programmes in other branches of industry with various advanced countries. The Canadian International Development Association had recently been host to a third UNIDO meeting of development banks, and a similar meeting would take place in the Federal Republic of Germany in 1973. Those were only a few of the many experimental and innovative approaches UNIDO was introducing into its activities and they had been much easier to initiate with its own resources than they would have been using UNDP resources.

10. Difficulties relating to financing regional and interregional products for the transfer of technology through UNDP had not yet been solved. Investment promotion and industrial subcontracting were receiving a smaller share of UNDP financing, and UNIDO had therefore been compelled to abandon plans for a meeting on the financing of industry to have been held at Kuala Lumpur in 1973. Many of those difficulties were being discussed with the Administrator of UNDP.

11. With the introduction of the country programming system, the authority and responsibility of UNDP resident representatives had increased. A corresponding increase in the strength of UNIDO's field presence,

mainly through its industrial field advisers, was therefore necessary. It was hoped that closer co-operation would be established with the regional economic commissions and the United Nations Economic and Social Office in Beirut, as well as with the intergovernmental organizations of developing countries in Africa, Asia, the Middle East and Latin America. Further efforts to decentralize and strengthen field staff would be required in future, since both UNDP and the World Bank had been organized on a regional basis. Further to General Assembly resolution 2823 (XXVI) of 16 December 1971, the Secretary-General had established a group of high-level experts to examine the long-range strategy of UNIDO and its future activities. Their report, to be submitted to the Board at its seventh session, would be particularly timely in view of the preparations for the second General Conference and the review and assessment of progress in the implementation of the Second Development Decade.

12. UNIDO had participated in the third session of UNCTAD (13 April-21 May 1972) and the United Nations Conference on the Human Environment (5-16 June 1972), both of which had made recommendations particularly relevant to the industrialization of developing countries. Within the limits of available resources, UNIDO was following up closely the recommendations of the two conferences. There had been other indications of a serious rethinking of the basis of development, both economic and social. The President of the World Bank had referred to the question of income distribution in developing countries, while ideas about combining direct social assistance with economic growth were under active discussion. Long-term projections relating to limited natural resources and to the human environment had led to zero growth theories, and indicated completely new forms of resource utilization.

13. However, the developing countries were more concerned with their increasing external debt, monetary instability and the dangerous manifestations of increasing unemployment and mass poverty. In many regions, failing crops in successive years had created a crisis in both the food supply and development. Over the same period the advanced countries had developed new approaches to co-operation in economic, technological and political matters. Multinational corporations were receiving increased attention both from developed countries, because of their monopolistic and monetary transactions, and from developing countries which wished to consolidate their economic independence and conserve various non-renewable mineral and oil deposits. The problems facing industrialized countries included the restructuring of industry and international trade, the establishment of a new monetary system, continuous inflation and the social problems of youth, labour and urbanization. The *détente* between them was welcome, but might leave the impression that the increasingly urgent problems of the developing countries were being relatively neglected. Tensions within the latter led to increasing instability and to more frequent open conflict among them. Industrial technology was advancing continuously, not only in such sophisticated sectors as

electronics and computers, but also in the traditional sectors of industry, agriculture and building materials. For example, greater effort was necessary to assist the developing countries in avoiding serious problems in their transport and textile industries. In keeping with its terms of reference, UNIDO had so far concentrated on operational activities, financed mainly through UNDP and conducted in accordance with the country programming system. In spite of their importance to the industrialization of developing countries, it had not been able to study the general problems of industrialization, technology, unemployment, the implications of changing trade patterns or environmental policies. It might well be said that the project-by-project approach, however useful, was making it impossible to see the wood for the trees. It was to be hoped that, as part of UNIDO's future strategy and of the preparations for its second General Conference, sufficient attention would be given to outlining the controlling factors in, and the international background to, the specific industrialization problems of the developing countries.

14. The closer attention recently given to the problems of the least developed among the developing countries might indicate that the world community was reconsidering some of the basic problems and principles of international co-operation. In 1971, UNIDO had established a number of recommendations regarding projects for co-operation with the least developed countries. Early in 1973, a meeting would be held at Addis Ababa to consider specific projects which UNIDO could assist in the least developed countries of Africa and the Middle East. The World Bank had shown particular interest in identifying and financing projects for industry, including industrial estates in the developing countries. It was hoped that a meeting of Latin American countries would take place in 1973 to examine the decentralization of industry and regional development, which had become major policy considerations in the national development of many countries. On the basis of the guidelines laid down in the Board's resolution 31 (VI), UNIDO hoped in co-operation with other United Nations bodies to develop effective programmes of assistance for the least developed among the developing countries.

15. Mr. HESSEL (Assistant Administrator, United Nations Development Programme) said he wished to confirm the interest of the UNDP Governing Council and of the Administrator in measures in favour of the least developed among the developing countries. Unfortunately, UNDP had been unable to provide regional and interregional projects with the financial support for which UNIDO had hoped. The limitation on UNDP's resources was particularly serious in that area, because country programmes received 82 per cent of resources, while only 18 per cent could be spent on regional, interregional or global projects. Industrial problems required a strategy of concentration of priority activities and appropriate methods and an approach which would integrate the industrial sector into the general concerns of economic and social development. 1972 had been a crucial year for the definition of closer co-operation between UNDP and UNIDO, both

through the meetings of the *Ad Hoc* Committee on Co-operation between the two organizations and through the consultations which had taken place between their executive heads. Instructions had been sent to all resident representatives regarding the programme of Special Industrial Services and the participation of UNIDO in national programming. Consideration had also been given to UNIDO's co-ordinating role in industrial development and to ways in which UNDP could assist it in discharging its functions in that respect. Considerable progress had been made in the manner in which the Governments of developing countries availed themselves of the possibilities offered by UNDP and UNIDO with regard to technical assistance. Much remained to be done to provide such assistance on the necessary scale and with the desirable effectiveness and continuity. The Administrator of UNDP was making an effort in that crucial and delicate area, as in other areas, to implement, in full agreement with the executive heads of participating and executing agencies, new measures which would enable the organizations to meet new needs as they arose. It was on such matters, rather than on questions of competence or procedure, which now appeared clarified, that the Administrator hoped the future consultations between UNDP and UNIDO would concentrate.

16. Mr. DIALLO (Upper Volta) said that his delegation attached particular importance to the work of UNIDO and was disappointed that other apparently more "fashionable" issues—such as the environment, the population explosion and narcotics control—had captured the attention of the international community. There could be no question that progress in the industrialization of the developing countries required determined and sustained action and adequate resources. Those who wished to assist UNIDO must endeavour to define its problems and must not pretend that they did not exist.

17. He expressed his delegation's appreciation of the activities of UNIDO, particularly in the field of small and medium-sized industries in African countries. UNIDO should also concentrate more on setting up pilot plants, where possible on a regional basis, in order to ensure the optimum utilization of local facilities. It should also make greater use of the industrial development experience of all developed countries, irrespective of their economic and social systems. It was to be hoped that the problems preventing the Democratic People's Republic of Korea from making its valuable technical contribution to UNIDO would soon be solved. Additional aid should be provided for regional industrial projects and the developing countries should be assisted in selecting techniques best suited to their regions.

18. His delegation continued to believe that UNIDO should have greater autonomy in administrative matters and hoped that the decentralization and delegation of authority in personnel matters, referred to in paragraph 73 of the report of the Industrial Development Board (A/8716), shortly would become a reality. It welcomed the efforts of the Administrator of UNDP and the Executive Director of UNIDO in the *Ad Hoc*

Committee on Co-operation to elaborate acceptable guidelines for the programme of Special Industrial Services and hoped that they would pursue their efforts to find solutions in other problem areas within their respective spheres of competence.

19. He strongly encouraged the Executive Director to ascertain the exact date of the second General Conference of UNIDO, which would provide an opportunity to assess UNIDO's contribution to the Second United Nations Development Decade. The meeting of African Ministers of Industry, scheduled for 1973, would also benefit from UNIDO's assistance.

20. His delegation agreed with the Executive Director that the UNDP country programming exercise required additional field advisers to ensure that UNIDO's contribution was effective and therefore welcomed the decision to increase their number from 22 to 30 in 1973.

21. Drawing attention to paragraph 1 of resolution 31 (VI) adopted by the Industrial Development Board on assistance to the least developed among the developing countries, he welcomed the pioneering role of UNIDO in assisting the least developed countries and said that his delegation eagerly awaited UNIDO's contribution to the implementation of the relevant paragraphs of UNCTAD resolution 62 (III) on the subject. He drew particular attention to paragraph 31 of the resolution, on the transfer of technology, paragraph 38, concerning action to be taken to identify the problems and needs of the least developed countries, and paragraphs 43 (a) and (e) and 45 (d) and (e). His delegation awaited with interest the meeting to be held at Addis Ababa in 1973 to examine specific projects for UNIDO assistance in the least developed countries in Africa and the Middle East and hoped that the UNIDO secretariat would be able to draw up an action programme which took their needs fully into account and which would be implemented as soon as possible, in accordance with the International Development Strategy for the Second United Nations Development Decade. In that connexion, he welcomed the decision of the Governing Council of UNDP concerning measures to assist small and medium-sized industries in the least developed countries and hoped that UNIDO and UNDP would be able to devise the appropriate machinery.

22. The report of the Industrial Development Board made no reference to the need for special measures on behalf of land-locked developing countries. Paragraphs 3 (a), (b) and (c) and 5 (b) and (c) of UNCTAD resolution 63 (III) indicated areas in which UNIDO's experience could prove very valuable to those countries, which faced special problems. Annex I, paragraph 10, of the Board's report referred to projects which UNIDO had carried out in the transport field; it should expand its activities in that area, adopting a regional or multinational approach wherever possible.

23. With regard to the resources allocated to UNIDO, it was clear that the increase expected in 1973 was hardly sufficient to meet the increased requests for

assistance, which themselves testified to the importance which the developing countries attached to industrialization. Those resources should be increased. The level of voluntary contributions announced at the 1972 Pledging Conference was also low, given the needs of the developing countries. Voluntary contributions had the advantage of permitting effective and rapid assistance without the red tape involved in other financing methods. His delegation had hoped that the developed countries would show a more co-operative and pragmatic approach. The resources allocated to the programme of Special Industrial Services should be increased by UNDP beyond the annual rate of growth contemplated in the Consensus adopted by the UNDP Governing Council at its tenth session in June 1970.<sup>2</sup> Lastly, he hoped that UNIDO would ensure the effective use of all resources received, including those in non-convertible currencies.

24. Mr. ČABRIĆ (Yugoslavia) said that his delegation had always attached considerable importance to the activities of UNIDO; the financial contributions which it had announced at the 1972 Pledging Conference on UNIDO testified to its desire to support those activities within the limits of its capabilities. His delegation was pleased that UNIDO's activities had become more meaningful to the developing countries during the past year, and that co-operation with other organizations of the United Nations system, especially UNDP, had improved. He welcomed the initial results achieved by the *Ad Hoc* Committee on Co-operation (see A/8646), including the drawing up of guidelines covering the basic aspects of the operations for the programme of Special Industrial Services and the establishment of regular consultations between the executive heads of UNIDO and UNDP and their staffs. He also welcomed the increasing co-operation between UNIDO and IBRD, as illustrated by the programme to be financed jointly by the Bank and UNIDO beginning 1 January 1974.

25. UNIDO should take appropriate measures with respect to organizational and personnel matters to enable it to discharge as successfully as possible the increased responsibilities which would result from the expansion of its activities in the coming years.

26. UNIDO's accomplishments so far, and the achievements which optimistically could be expected, were rather modest given the great hopes which the developing countries had placed in that body. The organization had a strategic role to play in the industrialization of the developing countries during the Second United Nations Development Decade, and the fact that implementation of the objective of the International Development Strategy was lagging in certain basic areas suggested that the situation was not very different with respect to industrialization.

27. UNIDO was hampered partly by the fact that all the arrangements regarding its establishment had not been completed, as was reflected in the lack of adequate financial resources. It was a matter for serious

<sup>2</sup> See *Official Records of the Economic and Social Council, Forty-ninth Session, Supplement No. 6A*, para. 94.

concern that the budgetary crisis facing the United Nations as a whole was also affecting UNIDO. The role of the United Nations in social and economic development should be preserved, regardless of the financial and other difficulties which faced the Organization. The tendency to relegate the development of the developing countries to second place showed the actual dimensions of the problem. The contributions announced at the 1972 Pledging Conference were not sufficiently above the level pledged at the 1971 Pledging Conference to ensure UNIDO a more successful future. Despite the fact that some industrially developed countries were financing UNIDO operations directly through specific projects, the assistance provided was still far below what the developing countries—particularly the least developed among them—required for rapid industrialization.

28. His delegation supported the proposal to convene the second General Conference of UNIDO, at the highest possible level of government representation, early in 1975. Since that year would mark the completion of the first half of the Second Decade, the General Conference should be concerned exclusively with the review and appraisal of the implementation of the International Development Strategy in so far as the industrial development of the developing countries was concerned. Only thus would the Conference prove meaningful and justified. General considerations should be left to the Economic and Social Council and the General Assembly.

29. Lastly, he paid a tribute to the Executive Director's tireless efforts to ensure that UNIDO promoted the rapid development of the developing countries.

30. Mr. AL-MAAMIRY (Oman) said that his delegation had hoped that the general interest which had led to the consensus on the recommendations of the United Nations Conference on the Human Environment would have been carried over to the 1972 Pledging Conference on UNIDO. The reaction of certain nations at the latter gathering had demonstrated that where there was no national interest there would be no common *détente*.

31. Although it was reasonable to encourage the developing countries to improve their agricultural activities, they should also be permitted the possibility of balanced growth through the development of light industry. UNIDO could supply the necessary resources if it had the support of the developed countries. The developing countries possessed raw materials but lacked the means to process them and therefore remained within the vicious circle of poverty. Industrial development would provide opportunities for better markets, increased employment and an extension of agricultural activities, thereby alleviating some of the poverty and instability which prevailed in those countries.

32. A country like Oman, with an area of approximately 100,000 square miles, could not be expected to remain an agricultural country whose economy depended on traditional markets for its agricultural products. Local processing of those products would make

it possible to explore new markets, farmers would be encouraged to increase production, employment and real income would increase and savings would accumulate in the hard currency formerly spent to import similar products processed elsewhere. In view of the large demand for building materials, Oman, which had a rich supply of limestone, could introduce light industries with a reasonable chance for success. However, as one of the least developed countries, it was involved in the traditional industries of drying fish, ghee manufacture and crafts, and was committed to such major capital projects as port, road and housing construction and social services.

33. Oman placed its hope in UNIDO and therefore appealed to the developed countries to support UNIDO and make direct contributions to finance its activities.

34. Mr. ALI (Pakistan) said that his delegation was happy to note that the central role of UNIDO in co-ordinating activities in the field of industry within the United Nations system was becoming more widely accepted. Such acceptance was important, because it helped to prevent duplication of work and clashes of interests between the various United Nations organs. His delegation welcomed the understanding and co-operation between UNDP and UNIDO and between the World Bank and UNIDO, since they could lead to greater efficiency and fruitful results. It was gratifying to see that the organ which he, as Chairman of an expert group, had helped to establish continued to provide the impetus for industrialization in the developing countries which had previously been lacking.

35. The flexible approach adopted by UNIDO was essential in view of the various stages of industrial development reached by the developing countries. It was in catering to their extremely varied needs that UNIDO would be most beneficial to all its members, whether advanced or backward.

36. During the century and a half since the advent of industrialization, the overriding concept in industrial development had been national, and little heed had been paid to the effects of such development on the world as a whole. Technology had replaced manpower and natural materials to a large extent and the utilization of natural resources, particularly when exploited by foreign countries, was frequently wasteful. Conservation at home and merciless exploitation abroad had been an accepted norm. Most of the developing countries had produced raw materials for the new machines of the advanced countries while taking no part in the process of industrialization. However, the former countries which had begun to establish industries during the past 50 years had been forced to comply with the pattern of industrialization of the latter countries, irrespective of their own needs and conditions. Most of the developing countries had to create employment for their people. Simple machines used more labour but had become obsolete. Thus expensive and complex machines had to be purchased which were difficult to run and employed less labour. The developing countries needed a simple motor vehicle suited to their own conditions; but the only cars

on the market were expensive, complicated to maintain and too powerful for the roads in those countries. Similarly, they were forced to purchase either large plants whose production they could not fully utilize or small plants whose production costs were high. Scientific development had created substitutes for many raw materials, resulting in unemployment for many workers in the developing countries and consequent harm to their economies. Until about 15 years before, and in some places even today, the developed countries burned the waste gases from oil-wells and refineries situated in developing countries, whereas in their own territories they converted and utilized those gases very profitably. It was evident that the natural resources of the developing countries were being wasted and that the developed countries had been motivated in their industrial development by the advantages accruing to them, while ignoring the detrimental effects upon the less advanced parts of the world.

37. The industrial revolution had not yet run its course; but there were unmistakable indications that it had reached a watershed. Until a very few years ago the trend was towards bigger steel mills. Today, even the United States had established a number of mini steel mills and one was being constructed in the Federal Republic of Germany. Ford was thinking of producing a car in Asia specifically designed for the Asian market. The harmful effects of detergents had been discovered and more natural ingredients might be used in future in washing agents. The effluents from industries manufacturing plastics and man-made fibres were under strict observation and, if technology could not find a solution to the problems caused by them, there would be some remarkable changes. Indeed, Providence was coming to the aid of the developing countries in many ways and the effect of industrialization on the environment was the largest single factor. In the thirteenth century, a noted Asian physicist had said that knowledge should be applied with care lest it upset the balance of nature. That statement had been corroborated by scientists in various countries for a number of years. It was only recently that Governments had become aware of the importance of the problem and the United Nations Conference on the Human Environment had been held. He hoped that mankind had now fully grasped the magnitude and the urgency of the problem. Mankind could exist without many things, but not without pure water and pure air. In efforts to restore the balance of nature, he foresaw great changes in the coming years, some of which would inadvertently benefit the developing countries.

38. Those countries had successfully obtained acceptance by the international community of the concept of sovereignty over their natural resources. The implementation of that principle would obviously require supervision and UNIDO could play an important role in that field. UNIDO should also assist developing countries embarking on the exploitation of their mineral resources to arrive at a just and equitable agreement with foreign concerns. It should also ensure that wasteful methods were not used by the exploiting companies. UNIDO could also give guidance to the developing countries on how to avoid processes which

would result in pollution. Most of the developing countries had industries which produced vast quantities of industrial waste. UNIDO should recruit experts to find out how that waste could be used to advantage. If a simple car was not produced by some of the leading manufacturers, UNIDO should promote its manufacture. He hoped that some developed country would earmark a suitable amount for that purpose and ask UNIDO to go ahead with the project. UNIDO should continuously watch the development of smaller plants, such as mini steel mills, which would meet the urgent needs of the developing countries. Furthermore it should encourage collaboration between concerns in developed and developing countries for the manufacture of components in the latter. Such action would help the technological structure in the developing countries, providing employment for their people, increasing their exports and enabling them to obtain cheaper components. He was glad to note that, as the Executive Director had said, there was to be a meeting on licensing and industrial subcontracting in Paris, and hoped that the outcome would be favourable to the developing countries.

39. Lastly, UNIDO should make increasing use of experts from developing countries who were less costly and better acquainted with the conditions in the developing countries. He was happy to state that a manufacturing concern in Lahore had provided experts to similar concerns in the United Republic of Tanzania and Indonesia. His delegation hoped that the high-level group of experts preparing a report on the long-range strategy of UNIDO would identify the export-oriented industries of the developing countries and the methods for their promotion as soon as possible, so as to remedy the chronic shortage of their foreign exchange resources.

40. Mr. LANC (Austria) thanked the Executive Director of UNIDO for his comprehensive introductory statement. His delegation was particularly gratified to note that the consultations between UNDP and UNIDO concerning the operation of the programme of Special Industrial Services would be successfully concluded, particularly since his Government had always attached special importance to that field of UNIDO's work. It was also confident that the guidelines worked out on the matter by the *Ad Hoc* Committee and subsequently endorsed by the governing bodies of UNIDO and UNDP as well as by the Economic and Social Council would also meet with the approval of the General Assembly. It was to be hoped that the continuing consultations between UNDP and UNIDO would lead to equally satisfactory agreements.

41. As already stated at the sixth session of the Industrial Development Board, his delegation would prefer the second General Conference of UNIDO to be held early in 1975, thus making it possible to co-ordinate the Conference with the mid-term review of the International Development Strategy and allowing sufficient time for careful preparation of the Conference. The possible dates suggested for 1974 would be rather close to, or would coincide with, the twenty-ninth session

of the General Assembly. Therefore, from that point of view too, it would be better to hold the second General Conference of UNIDO between 15 February and 31 March 1975.

42. His delegation agreed with the Executive Director of UNIDO that the Industrial Development Board and its Permanent Committee should act as the preparatory committee for the Conference. The forthcoming report of the high-level expert group on the long-range strategy of UNIDO would be an important element in the preparations for the Conference. The proposed co-operation between UNIDO and the Committee for Development Planning, particularly UNIDO's invitation to hold a meeting of that body in Vienna, could also have a considerable bearing on the orientation of UNIDO's future work and the understanding of the role of industrialization in the development process in general. A better understanding of the highly complex problem of industrial development was essential, since many aspects of the traditional approaches to economic growth and social development were being reviewed and possibly reformulated. For many developing countries, effective industrial development would depend on their ability to strike a correct balance between industrial development and over-all economic and social progress, especially with regard to the problems of employment, income distribution, choice of technology, regional co-operation and foreign trade. In view of the specific nature and scope of industrial development, the industrial field advisers would have to play an important role in assisting the resident representatives and advising Governments on the preparation of their country programmes. His delegation therefore welcomed the proposed increase in the numbers of such advisers in 1973. Such assistance would also be of particular value to the least developed among the developing countries, where the scarcity of resources would require very careful planning in order to ensure maximum use of available resources.

43. His delegation had noted with interest the agreement between UNIDO and the World Bank on the establishment of a joint programme for the identification and development of industrial projects in developing countries. Such co-operation and collaboration between UNIDO and the other organs of the United Nations system would help to strengthen the efforts of the United Nations in that sector. In conclusion, his Government would continue to support the work of UNIDO and its important role as the centre for co-ordination of United Nations industrial development activities.

44. Mr. JOSEPH (Australia) said that, although the Executive Director of UNIDO had spoken in optimistic terms about the outcome of the consultations in the *Ad Hoc* Committee on Co-operation between UNDP and UNIDO, his delegation had had the impression, at the fourteenth session of the UNDP Governing Council, that there was still some way to go before relations between the two bodies could be considered completely satisfactory. In his delegation's view, the friction between UNDP and UNIDO in the past had been the result of a problem of divided authority. Thus,

whereas UNIDO had been designated as a body in the United Nations system responsible for co-ordinating industrial activities, it was required, in the absence of substantial operational resources of its own, to rely on UNDP funding to carry out the operational activities which UNIDO rightly regarded as its *raison d'être*. Other agencies were similarly reliant on UNDP for operational resources. The difference was that UNIDO had come into existence at a time when a change was taking place in UNDP programming, whereby responsibility for the choice of areas of assistance was placed on recipient Governments, so as to put an end to the "agency salesmanship" referred to by Sir Robert Jackson in his Capacity Study.<sup>3</sup> While such a change presented no difficulties for most of the agencies which had established their sectoral credentials in the eyes of recipient Governments over the years, for UNIDO the concepts of country programming had somewhat different implications. UNIDO lacked any established base within UNDP operations and was therefore at a disadvantage, compared with the other agencies, in achieving a reasonable share of UNDP business.

45. It appeared to his delegation that the UNIDO secretariat had rapidly accepted the idea that a programme of active proselytizing had to be undertaken to bring the services it had to offer to the attention of recipient Governments. Thus, for example, UNIDO had been very keen to promote the outposting, at UNDP expense, of industrial development field advisers. Resolution 34 (VI) adopted by the Industrial Development Board recommended that field advisers should participate more actively in the formulation of UNDP's country programmes in order to ensure the application of a larger proportion of UNDP resources to industrial development. In his delegation's view, that could be interpreted as a mandate for the field advisers to enter into active competition, presumably with the other agencies, to secure a larger share of UNDP funds.

46. UNIDO had also been inclined to invoke its essential co-ordinating role in the industrial field to justify an activist agency role in UNDP programming. However, at least at the field level, responsibility for co-ordination under the country programming system lay firstly with the recipient Government and secondly with the UNDP resident representatives whose function it was to co-ordinate the inputs from all parts of the United Nations system, including UNIDO. The problem was that what UNIDO regarded as legitimate canvassing, UNDP viewed as sectorialism—something which was supposed to have been eliminated following the adoption of the Consensus by the UNDP Governing Council at its tenth session, in June 1970, and its subsequent endorsement by the General Assembly (resolution 2688 (XXV) of 11 December 1970). At each of the past four sessions of the UNDP Governing Council, it had been argued that both the share of industrial projects financed by UNDP and the share of those projects allocated to UNIDO should be increased. Indeed, his delegation had used such arguments at the

<sup>3</sup> *A Study of the Capacity of the United Nations Development System* (United Nations publication, Sales No. E.70.I.10).



twelfth session, only to be informed by the Administration—quite correctly—that under the new system, the choice of projects and of agencies to execute them was determined by the recipient Governments. It would therefore be inconsistent with the obligations accepted by the UNDP Administration under the Consensus to try to override those priorities. Therefore, UNDP had asked UNIDO to abide by the same rules, procedures and objectives as the other agencies. It would seem that UNDP feared that, if UNIDO was granted special exemption from the rules, it could constitute a precedent for other agencies, leading to the ultimate collapse of the new system derived from the Capacity Study and the 1970 Consensus.

47. As stated by the Executive Director, many of the problems between the two organizations were on the way to self-correction. UNIDO field operations had grown by 30 per cent in 1971 and a similar increase was expected in 1972. UNIDO's share of UNDP projects in the country programmes so far approved at sessions of the Governing Council was a little under 12 per cent, which compared favourably with the average in the last five years of only 5 to 6 per cent. In fact, UNIDO's position had improved only because the share of industrial projects included in country programmes was increasing of its own accord. Moreover, as the Executive Director had said, it was reasonable to presume that the share of industrial projects would continue to increase quite sharply together with the demand for UNIDO's services as executing agent. That could be achieved, however, without bringing either UNDP or UNIDO into conflict with the country programming principles. The figures cited by the Executive Director were a clear indication of the priority that developing countries were assigning to industry and UNIDO through their country programmes.

48. The question of the programme of Special Industrial Services had always been a sensitive issue in UNIDO/UNDP relations. The reason was that, whatever its merits—and his country appreciated its value as a means of providing flexibility in both programming and implementation—that programme did constitute a loophole in country programming principles, since the purposes for which the funds could be used were defined in advance and were not subject to the priorities established by the recipient Governments. The \$2 million of UNDP funds involved annually in the programme had meant that the departure from country programming principles had been marginal. However, the problem arose from the persistent pressure for more or less automatic annual increases in the programme of Special Industrial Services. That pressure had also involved a broadening of the concept of what made a project eligible for programme financing. Whereas it had been originally intended that the programme should meet urgent and unforeseen needs which could not be brought within the scope of normal country programming, in practice there had been a tendency occasionally to overlook those restrictions and to encourage Governments to regard it as a special fund for general industrial development. Indeed, at the fourteenth session of the Governing Council, a number of the country programmes presented had listed

separately the Special Industrial Services projects intended for submission to UNIDO during the programming period. As the Canadian delegation had observed on that occasion, such a practice was scarcely in accordance with the "unforeseen" character which the Governing Council of UNDP had intended should govern the programme of Special Industrial Services when it had appropriated funds from the reserve.

49. He was glad to learn from the Executive Director that detailed working arrangements and procedures had been developed between UNDP and UNIDO regarding the programme of Special Industrial Services. However, the Administrations of those two bodies could not solve the problem of the size of that programme. At the sixth session of the Industrial Development Board, many delegations had supported an earmarking of some \$5 million from the UNDP reserve. The UNDP Governing Council had offered \$2.5 million, with an additional \$1 million to be used for Special Industrial Services projects in the 25 least developed countries, if they so wished. The decision was no doubt disappointing to UNIDO and to the delegations which had pressed for a higher allocation for the programme of Special Industrial Services during the sixth session of the Industrial Development Board; but UNIDO and those delegations would also appreciate the difficulties of the Governing Council confronted with competing demands for the limited resources available in the reserve fund. At the fourteenth session, the Governing Council had been faced with an acute political need, particularly following the deliberations at the third session of UNCTAD, to find the means of immediately improving the share of UNDP resources allocated to the least developed countries. Additional drawings on the reserve fund constituted one means of achieving that end, but inevitably reduced the funds available in the reserve fund for the programme of Special Industrial Services. Some delegations in the Governing Council had suggested that the problem could be solved by simply increasing the size of the reserve fund. But that would mean that less resources would be available to be spent in accordance with the priorities established by individual recipient Governments through their country programmes.

50. It would not be practical to suppose that more resources could be found for the programme of Special Industrial Services by taking a little from each country programme in such a way that individual countries might not notice the difference. With a projected deficit of \$64 million over the next four years, UNDP would find it difficult to meet even the existing indicative planning figures which constituted the basis for formulating country programmes. Any additional burden on the programme would reduce prospects for honouring indicative planning figures still further. Nor were increased contributions to UNDP necessarily the answer to earmarking more funds for the programme of Special Industrial Services, because it had already been made increasingly clear that the first charge on any increased contribution must be the 25 least developed countries.

51. It would be better to fix the date of the second General Conference of UNIDO towards the end of

the period mentioned in the report of the Industrial Development Board and by the Executive Director. The Conference could then contribute fully to the mid-term review and appraisal process due to take place in 1975. The earliest suggested date for the Conference was June 1974; thus the necessary legislative action could be taken by the twenty-eighth General Assembly and a final decision was not needed during the current session.

52. A number of delegations at the sixth session of the Industrial Development Board had referred to the need for an improvement in UNIDO's delivery rate. Attention had been drawn to the lag between the implementation of projects by UNIDO and their approval by the Governing Council of UNDP. According to the report of the Industrial Development Board, one third of the Special Industrial Services projects approved had not yet become operational. UNIDO was not the only organ suffering from such a lag in delivery and, in his delegation's view, the most immediate way to improve delivery might be for UNIDO to make greater use of subcontracting, at least during the current period.

53. The Executive Director had implied that UNIDO should have its own operational resources and his delegation agreed that that would be an advantage to UNIDO. However, the Executive Director's proposal amounted to a plea for a type of special fund for UNIDO and, in his delegation's view, that would be a less efficient way of contributing to United Nations

development efforts than channelling all resources through UNDP.

54. He had noted the Executive Director's suggestion that UNIDO might need to develop in directions not covered by its present mandate. In his delegation's view, UNIDO was essentially an operational organization, designed to assist developing countries in the implementation of their industrialization plans. Although UNIDO must keep abreast of evolving industrial technology, at least to the extent of knowing where to look for various forms of expertise, his delegation had doubts about the need for a substantially enlarged bureaucratic structure at UNIDO headquarters. He also noted that some of the fields referred to by the Executive Director as requiring specialized attention within UNIDO were already covered by other organizations of the United Nations system. There appeared to be no obvious need for new support staff in Vienna to duplicate the work of others. His delegation believed that UNIDO was and should remain essentially operational. He agreed that it was not timely for an intergovernmental body to try to draw long-term conclusions. Delegations would need to await the proposals for the long-term strategy of UNIDO that were being formulated by the group of high-level experts which was to present its conclusions to the seventh session of the Industrial Development Board. The subsequent recommendations of the Board would presumably be submitted to the General Assembly at its twenty-eighth session.

*The meeting rose at 12.50 p.m.*