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UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

Strengthening of operational activities in the field of industrial
development in the least developed among the developing countries

Report of the Secretary-General

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I. INTRODUCTION

1. At its thirty-second session, the General Assembly adopted resolution 32/163 of 19 December 1977 on the strengthening of operational activities in the field of industrial development in the least developed among the developing countries. In that resolution, the Assembly requested the United Nations Industrial Development Organization (UNIDO) to intensify its activities in connexion with the implementation of the special measures adopted in their favour and to devote the maximum resources possible to meet their needs and requirements, and urged the Industrial Development Board to allocate a sizable sum from the United Nations Industrial Development Fund to the needs and requirements of the least developed countries, taking into consideration Assembly resolution 31/202 of 22 December 1976.

2. The present report, therefore, deals with the progress achieved with regard to the implementation of the main provisions of the above-mentioned resolution.

II. INTENSIFICATION OF UNIDO'S ACTIVITIES IN CONNEXION WITH THE IMPLEMENTATION OF THE SPECIAL MEASURES IN FAVOUR OF THE LEAST DEVELOPED COUNTRIES

3. As stated in the annual report of the Executive Director for 1977 (ID/B/200 and Corr.1, chap. IV, para. 18) UNIDO continued its efforts to consolidate and develop special activities in favour of the least developed countries, along the guidelines provided in the Lima Declaration and Plan of Action on Industrial Development and Co-operation (see A/10112, chap. IV). On the basis of the recommendations of the Intergovernmental Expert Group Meeting on the Industrialization of the Least Developed Countries, held at Vienna in November 1976, a programme of technical assistance for these countries was prepared and implementation of a number of specific projects has started. This programme aims at the provision of pilot plants and production units for the utilization of available natural resources, particularly agro-based industries with special emphasis on rural development through promotion of small-scale industries and the establishment of training facilities with multiplier effects.

4. In the field of agro-industries, UNIDO activities have been concentrated on the rendering of multidisciplinary advice and assistance with a view to promoting accelerated agro-industrial development at national and regional levels. The establishment of feedstuff industries, for example, received special attention, as these industries use the bulk of the by-products produced by a variety of agro-industrial plants for the production of animal feed. The establishment of such plants has been suggested by UNIDO to a number of least developed and other developing countries and a detailed engineering project is being considered in Somalia on the basis of the results of a comprehensive feasibility calculation.

5. In the leather industry branch the number of projects in the least developed countries has been increased. The trend towards projects related to the integrated development of the leather and leather products manufacturing industries also

continued. For instance, a new large-scale project for the development of the leather industries was initiated in Bangladesh, where the raw material is abundant to promote the production of finished leather and manufactured leather products for export purposes, thus helping not only to increase the country's foreign exchange earnings but also to provide additional employment opportunities.

6. The least developed countries that are endowed with rich forests are becoming more and more aware of the possibilities of increasing the added value of wood products and, to that end, are calling upon UNIDO to provide the needed assistance. Emphasis was placed by UNIDO on incorporating within these projects the promotion of technologies appropriate to the level of development of the recipient countries. On the basis of the success achieved in the implementation of the timber engineering projects in Kenya and the Lao People's Democratic Republic, the Government of Uganda requested UNIDO's assistance in the introduction of a similar system in that country. In Samoa, a match factory with an estimated investment of \$250,000 is in the process of being established on the basis of a feasibility study prepared by a UNIDO expert.

7. Assistance was also provided by UNIDO to a number of least developed countries in other agro-based industries such as sugar, textile and coconut. In the latter field UNIDO, in collaboration with the Asian and Pacific Coconut Community, initiated a project in Samoa to assist the Government in the establishment of an integrated coconut processing industry. The project included the services of experts in the processing of copra, coconut fibres and coconut shells as well as in the organization of an integrated coconut production system with processing operations.

8. Following the first consultation meetings on the leather and leather products industry as well as on the vegetable oil and fats industries organized by UNIDO in the last period, renewed interest in technical assistance by the least developed and other developing countries has been observed and UNIDO is undertaking further investigations in the majority of the least developed countries which, it is hoped, will lead to specific programmes and projects in favour of these countries to be financed under various sources of funds available to UNIDO, including the newly established United Nations Industrial Development Fund.

9. The development of the local manufacture of industrial products as inputs into the agricultural sector continued to receive priority by UNIDO. Such projects cover a wide range of subjects (e.g. developing simple tools and animal-drawn implements, manufacture of low-cost farm equipment, feasibility studies on workshops and plants equipment and implements), reflecting the current need of the least developed countries. The emphasis in rendering such assistance is on local design and development as well as maintenance and repair services. UNIDO field activities for the least developed countries in this area are complemented by the preparatory work undertaken at Headquarters for the development of some new concepts included in the Co-operative Programme of Action on Appropriate Industrial Technology (see ID/B/188 and ID/B/207). An example in this context is the project presently under implementation concerning the adaptation of technology in the mechanical industries for the least developed countries. The aim of this project, which is being

implemented through the contribution of the Government of Italy, is to promote the establishment of a pilot production unit appropriate to the requirements of the least developed countries.

10. The Governments of developing countries in general and of the least developed countries in particular are becoming increasingly aware of the fact that the translation of industrial strategy, plans and policies into practical and viable industrial projects requires well-organized industrial institutional infrastructure that provides a mechanism for stimulating and promoting the growth of industry. Therefore UNIDO has placed continued emphasis on activities designed to assist the least developed countries in establishing or strengthening industrial institutions. Examples of current UNIDO projects involving industrial institutions are the development of a training centre for the leather industry in Democratic Yemen, which has led to the establishment of a pilot factory; creation of industrial research and consultancy services in the Sudan; support of industrial promotion and development activities, including planning and feasibility studies, in Benin, Burundi, Chad, the Central African Empire and the Upper Volta. In order to examine further the specific needs for assistance as far as institutional infrastructure for industrial development is concerned, an expert group meeting on this particular subject will be organized in November 1978 in Arusha, United Republic of Tanzania, with participation from least developed countries in Africa. Furthermore, UNIDO is continuing its activities to assist national institutions in providing extension services to small-scale industries, industrial estates and co-operatives. In response to the increased interest in the nature and scope of this type of assistance, UNIDO developed innovative concepts such as the provision of extension services to clusters of existing industries, advising rural industries on appropriate industrial technologies and on design of national programme of entrepreneur development. In the Upper Volta, for example, UNIDO provided assistance to the Office for the Promotion of Upper Volta Enterprises (OPEV), which is responsible for the planning, building and initial operation of the first industrial estate of the country. The first phase of the industrial estate will almost double the number of industries operated by nationals of the Upper Volta. Work was also started on a second industrial estate for Ouagadougou.

11. More effective utilization of existing industrial facilities was another major preoccupation, assistance being requested by the least developed countries in such areas as management, accountancy and staff training as well as strengthening the performance of public sectors industries. In Bangladesh, for example, UNIDO assisted, through a team of advisers and the services of a consulting firm, the Jute Industry Development Corporation in the improvement of management performance in jute mills. In the Sudan UNIDO provided assistance in improving the efficiency of the public sector. The project involved a systematic case-by-case organization of the Sudanese Industrial Enterprises and assistance in monitoring and analysing financial and production performances, commercial decision-making, implementation of standardization and of preventive maintenance, as well as in setting up repair and maintenance facilities.

12. Special efforts are being made to meet the needs of least developed countries in the training area by appointing industrial training advisers in some countries and by designing group training programmes suitable for participants from these countries. One of these programmes presently under implementation refers to production

management in the textile industry and is being organized in Bamako, Mali, with participation from other French-speaking least developed countries. It is also to be noted that, as a result of increasing the number of group training programmes, the percentage of participation by the least developed countries in training activities has been considerably increased in 1977 as compared with previous years. New training programmes are envisaged to be organized by UNIDO in the near future in countries like Benin, Burundi, the United Republic of Tanzania, etc.

13. Assistance has been provided by UNIDO to a number of least developed countries in the preparation of pre-feasibility or feasibility studies, identification, evaluation and selection of industrial projects, and promotion of export industries. Assistance was provided, for example, to the Tanzanian National Corporation in generating a number of bankable industrial projects, a notable example of which was a large-scale pulp and paper mill that has reached the stage of serious negotiations for investment. Although newly established, the Centre for Industrial Studies and Promotion (CEPI) in Mali is already attracting the attention of bilateral and multilateral assistance in the projects identified by it. Similarly, in Asia UNIDO assisted Afghanistan and Nepal in the identification and evaluation of new industrial projects to serve the home markets and, in some cases, the export markets.

14. In the field of metallurgical industry, most of the assistance being provided to the least developed countries is aimed at establishing and operating foundries as a first step towards industrialization. In Somalia, for example, assistance to the Government in the establishment of a foundry and mechanical workshop was continued, and in Mali an aluminium foundry received expert advice from UNIDO. More projects of this kind are in the planning stage, and exploratory missions to various countries are foreseen to ascertain the feasibility of establishing foundries, forges and mechanical workshops for the manufacture of simple metal products, repair and replacement parts and for upgrading local skills in various disciplines.

15. New activities were introduced by UNIDO with regard to the promotion of the utilization of medicinal plants in the pharmaceutical and essential oils industries. In 1977 and in 1978 missions of experts from the Joint UNIDO/Romania Centre visited a number of least developed countries in Asia and Africa to collect information and data on the available medical plants which could be utilized locally or for export purposes. As a follow-up of these missions, a mobile demonstration unit is being currently organized to visit Afghanistan and Nepal to demonstrate the appropriate technology to be used for the production of extracts from available plants, to train personnel and to identify the machinery required for the establishment of production and purification units at the national level. Furthermore, the extracts of plants will be used to formulate pharmaceutical preparations which will be incorporated in the health programmes of the countries concerned. Similar actions are expected to be undertaken in Burundi, Rwanda and other least developed countries in Africa.

16. In the field of building materials industry, the general trend of UNIDO operational activities was towards small, labour-intensive production units utilizing local natural resources. Assistance has been provided in this particular area to countries such as Afghanistan, Burundi, the Gambia, Lesotho, etc.

17. Certain activities have been developed with regard to the Sudano-Sahelian zone and other drought-affected countries in Africa, the majority of which are least developed countries. These activities refer to solar energy, utilization of plastics in agriculture and water management, fertilizers and pesticides. By way of example, assistance is being provided under the UNIDO regular programme of technical assistance to the National Laboratory for Solar Energy in Mali with a view to developing simple solar equipment and prototypes in the field of solar refrigeration, and also for conversion of solar energy into electrical energy. In another project under implementation in the Upper Volta, UNIDO is assisting the Government to establish, on a permanent basis, a centre for the use of plastics in agriculture which will continue the demonstration work presently being conducted and will transfer the plastic technology to the farmers. UNIDO assistance includes expert services, training and processing and testing equipment. The project will be considered a key reference project for other countries of the Sahel.

18. In the field of fertilizers, the first Consultation Meeting organized by UNIDO in 1977 indicated that certain least developed countries will have to rely on imported fertilizers to meet their needs, and the Expert Group Meeting on Regional Co-operation among Developing Countries in the Fertilizer Industry pointed out that these countries might establish bulk blending bagging plants which would rely on such imported fertilizers. Such an arrangement might strengthen the co-operation between the developing countries as well as increase the consumption of fertilizers, thus improving the agricultural production of these countries. In this context, a survey will be carried out by UNIDO to establish the amount of fertilizers consumed and imported in 12 least developed countries where UNIDO/FAO information is lacking and to identify countries which could benefit from establishing bulk blending bagging plants to stimulate the use of fertilizers. (The project is already approved financially under the UNIDO regular programme of technical assistance.)

19. To strengthen the impact of UNIDO assistance to the least developed countries, efforts are made to improve the various stages and processes of project formulation and implementation, and in this connexion the role of the industrial development field advisers is of great importance. Although the number of such advisers stationed in the least developed countries increased in 1977 (currently four posts), it is felt that more field advisers should be assigned to these countries. As a temporary solution, arrangements are being made to increase the number, and to strengthen the role of junior Professional officers, who will assist the senior industrial development field advisers in following up and implementing the projects in those countries. At present, six junior Professional officers are stationed in least developed countries.

III. MOBILIZATION OF FINANCIAL RESOURCES TO IMPLEMENT INDUSTRIAL PROJECTS IN THE LEAST DEVELOPED COUNTRIES

20. UNIDO has been making special efforts to utilize fully the traditional resources available for assistance to the least developed countries within the United Nations system, including the Special Industrial Services programme, the United Nations Development Programme special measures fund, the UNIDO regular programme of technical assistance and the UNIDO General Trust Fund (now incorporated in the United Nations Industrial Development Fund). It is to be noted that, in

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financial terms, the delivery of technical assistance to the least developed countries showed a considerable improvement in 1977 as compared with previous years. For example, under the UNIDO regular programme the total delivery amounted to \$US 734,000, as compared with \$US 184,000 in 1975 and \$US 297,000 in 1976. Under the Special Industrial Services programme and the UNDP special measures fund, the total delivery in 1977 was around \$US 1.7 million, as compared with \$US 687,000 in 1975 and \$US 1.4 million in 1976. The total delivery to these countries, under all sources of financing including the UNDP/Indicative planning figure, amounted in 1977 to \$US 7.5 million, as compared with \$US 4.7 million in 1975 and \$US 6.9 million in 1976.

21. In view of the fact that the least developed countries are in increasing need of technical assistance and that the financial resources available to UNIDO are limited, a number of projects have been prepared, as part of the special measures for these countries, and they have been forwarded to potential donors in developed and developing countries for their consideration. As a consequence, some encouraging reactions have been forthcoming and some tangible results have been achieved: United Kingdom authorities have expressed their readiness to co-operate with UNIDO in the implementation of two projects in Lesotho and Yemen; the Government of Yugoslavia has informed UNIDO that appropriate resources will be earmarked under its Fund of Solidarity with Non-Aligned Countries for supporting selected projects included in the UNIDO special programme of assistance for the least developed countries; the Government of Hungary has made a special contribution of 5 million forints to provide assistance in the form of equipment and expertise for the establishment of a food testing and control laboratory in one of the least developed countries.

22. Steps have been taken towards the development of a joint programme with the Industrial Development Centre for Arab States (IDCAS) for assistance to the least developed Arab countries. The purpose of the programme is to identify priority projects and to explore the possibilities of obtaining the required technical and financial resources from the various Arab development funds and Arab bilateral sources.

23. The establishment of the United Nations Industrial Development Fund, which became operational in 1978, is seen, apart from increasing the volume of technical assistance, as UNIDO's prime mover into new and innovative fields. However, the experience of the first pledging conference for the Fund does not provide helpful indicators for a reasonable forecast and planning. Against the desirable annual funding level of \$US 50 million, adopted by the Industrial Development Board at its eleventh session, pledges totalling \$US 8,420,092 had been announced by 82 donor countries by 22 March 1978. The Permanent Committee of the Industrial Development Board (with the authority delegated to it by the Board) considered and approved, at its ninth session, an initial programme of activities for the Fund for 1978 (see ID/B/C.3/60 and Add.1). Within the policy framework given in section II, paragraph 2 of the annex to General Assembly resolution 31/202, nine priority areas have been selected as the programme components of this initial programme, including special measures for the industrial development of the least developed, land-locked and island developing countries. Since at that time it was not possible for the UNIDO secretariat to prepare programme proposals in monetary terms, indications were given only in terms of percentages for allocations to various items in the

programme of the Fund (for the special measures for the least developed countries, the proposal for allocation, which should be seen only indicative and subject to adjustments, was 9 per cent). It is to be noted that certain projects of interest for the least developed countries have already been approved for financing under the Fund (as at 30 April 1978 the total value of projects approved for these countries amounted to nearly \$US 500,000).

24. At its twelfth session, in May 1978, the Industrial Development Board considered and approved the proposals submitted by the UNIDO secretariat concerning the priority areas in which projects are going to be approved for financing within the resources available in 1979 under the Fund. Since at the time of preparing such proposals, the secretariat had had less than three months' experience of programming UNIDF, and also taking into consideration that the resources which might be available for programming in 1979 were not known, no major revisions have been introduced as far as the priority areas for assistance are concerned. Special measures for the least developed, land-locked and island developing countries are among these priorities, and many delegations expressed their Governments' strong support for this programme component of the programme of the Fund for 1979.
