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ECONOMIC DEVELOPMENT OF UNDER-DEVELOPED COUNTRIES

ACTIVITIES OF THE UNITED NATIONS IN THE FIELD OF
INDUSTRIAL DEVELOPMENT

Summary of the activities of the specialized agencies and of
the International Atomic Energy Agency and their comments on
the report of the Advisory Committee of Experts (E/C.5/29)

The attached report from the Food and Agriculture Organization of the United Nations is submitted to the General Assembly in pursuance of paragraphs (b) and (c) (ii) of Economic and Social Council resolution 969 (XXXVI).

FAO COMMENTS ON THE RECOMMENDATIONS OF THE ADVISORY COMMITTEE
OF EXPERTS ON INDUSTRIAL DEVELOPMENT ACTIVITIES OF THE UNITED
NATIONS SYSTEM 1/.

1. The three alternatives for providing central leadership and co-ordination of the work of the United Nations family in the field of industrial development, namely (i) instituting a new Specialized Agency, (ii) strengthening the resources for the existing Centre for Industrial Development, and (iii) creating a new subsidiary organization within the United Nations, have been examined within the Organization and the following comments are offered:

(i) Institution of a new specialized agency

2. At the 36th session of ACC in Geneva from 2 to 3 May 1963, FAO agreed with the positive recommendation that a separate agency would not be helpful as this would duplicate existing facilities and services by the various specialized agencies working in this field. FAO continues to hold the same opinion.

(ii) Strengthening the resources for the existing Centre for Industrial Development

3. Regarding the second alternative, FAO had welcomed the establishment of the Centre for Industrial Development, to act as a focal point in guiding and co-ordinating the industrial development activities of the United Nations system as a whole. FAO hoped that the Centre's work would give greater momentum to FAO's activities related to industrial development, namely agricultural products processing, forestry, fisheries and food products industries as well as marketing, credit, co-operation and related matters.

4. Extensive discussions were held with Mr. Mayobre, United Nations Commissioner for Industrial Development, in Rome during November 1962. This resulted in full recognition by the Centre of FAO's varied involvements with the many important aspects of industrialization as outlined above, and a beginning was made to define suitable ways for a full exchange of information and experiences between the Centre and FAO.

5. In a written agreement on United Nations and FAO co-operation in the field of forest industries, it was agreed that FAO would continue to be regarded as the

1/ See annex VIII (report of the Advisory Committee of Experts on the Industrial Development Activities of the United Nations system) of document E/3781, report of the third session of the Committee for Industrial Development, 13-31 May 1963.

United Nation agency responsible for all forestry industries including pulp and paper, as the responsibility for renewable raw materials and the industries based upon it should rest with the same agency. Its programme should be co-ordinated with that of the United Nations with particular reference to the latter's responsibility for general economic development planning, over-all industry programming and infrastructural development. FAO's Regional Forestry Officers and the Industry Divisions of the Economic Commissions should be instructed to consult regularly on these problems and in particular on current and planned EPTA and Special Fund programmes.

6. An FAO Liaison Officer was assigned to the Centre during the first three months of 1963, who has been able to develop very satisfactory working relations with the staff of the Centre. This officer represented FAO at the meeting of the Advisory Committee of Experts on Industrial Development and again at the Third Session of the Committee for Industrial Development. The Director-General's Programme of Work and Budget for 1964/65 includes provision for a new post of Technical Officer (Industrialization), located in the office of the ADG, Technical Department, for co-ordination of the Organization's varied work in industrialization and for collaboration with the United Nations and the various other specialized agencies most directly concerned with the problem of industrialization.

(iii) Creation of a new subsidiary organ within the United Nations

7. While FAO's relationships with the Centre have been most satisfactory, FAO is prepared to support the third alternative, i.e. the creation of a subsidiary organ within the United Nations, in the hope that it will give further stimulation to the over-all United Nations effort toward industrial development. To this end, the terms of reference of such an organ should fully recognize the specific sphere of competence in the field of industrial development of the various specialized agencies.

8. The nomenclature of the new machinery proposed is very important. The Advisory Committee has referred to three choices, namely United Nations Industrial Development Organization, United Nations Industrial Development Agency, and United Nations Industrial Development Administration (see foot-note m on page 86 of Doc. E/3781). The final choice evidently has been left for subsequent decision. The title adopted should indicate as precisely as possible the nature of the

new organ, its position within the United Nations and its relations with other bodies such as the specialized agencies. The word "Organization" is at present applied only to specialized agencies and not to any operating unit of the United Nations, such as the TAB, the Special Fund and the UNICEF. As the idea of a separate specialized agency for industrial development has now been given up, the title "United Nations Industrial Development Organization" for the new arrangement will tend to blur the distinction between a subsidiary organ of the United Nations and the specialized agencies and give rise to considerable confusion between the two, specially to member governments. FAO would, therefore, strongly urge that the nomenclature "United Nations Industrial Development Administration" should be adopted.

9. According to the provisional working definition of "industrialization" agreed upon by the Committee for Industrial Development at its third session, the Industrial Centre (which will eventually become the new organ) should "generally concentrate its activities on the development of the manufacturing sector as listed (in Divisions 2 and 3) in the United Nations International Standard Industrial Classification of all Economic Activities (ISIC)".

10. FAO is actively engaged in the planning, execution and supervision of certain projects falling under Divisions 2 and 3 (manufacturing), namely in Food Manufacturing Industries (major group 20), Manufacturing of Wood and Cork (major group 25), and Manufacturing of Paper and Paper Products (major group 27). To a more limited extent, FAO is concerned with major groups 21 (Beverages), 22 (Tobacco), 23 (Textiles), 29 (Leather and Fur Products), 30 (Rubber Products), and 38 (Ship Building and Repairing). In the case of Food Manufacturing Industries, in addition to the planning, execution and supervision of industrial processes, FAO gives considerable attention to the economic aspects of planning, with particular reference to location, size and market outlets of the various industries. In the case of forestry and fisheries industries, the general development function covering: (i) industries development policies, planning and programming; (ii) industrial studies and project planning, and (iii) research and education, training and documentation projects, are also dealt with by FAO.

11. If the recommendation of the Industrial Committee stated in the preceding paragraph is accepted as a basis for defining the term of reference of the new

organ, a clear understanding needs to be reached which recognizes FAO's competence and experience in these fields. On the basis of the new definition, FAO will continue to be responsible for the activities listed in Division O of the ISIC: Agriculture, Forestry, Hunting and Fishing.

12. There can be no doubt that the demands of the developing countries for assistance in the planning and execution of their industrial development plans will continue to increase and the combined efforts of the central United Nations organ and the specialized agencies will be necessary to meet these requirements. A satisfactory division of labour is therefore essential, which will fully utilize the experience and know-how in the field of industrial development the specialized agencies have acquired over a number of years. This will enable the new organ to concentrate its efforts on a large field of activities in which adequate or no assistance at all has been made available so far, such as the application of modern industrial methods of production and management, programming techniques for industrial development, the financial, fiscal and administrative aspects of industrial development.

13. In the light of the above, the following considerations should be taken into account in finalizing the terms of reference of the new organ.

- (a) Structure (see document E/3781, Annex VIII, p. 86, paragraph 43 A (iii))

14. If the intensification of the work of the United Nations system in the field of industry has to be achieved in a systematic manner and the programmes of the new organ and those of the Regional Economic Commissions harmonized with those of the specialized agencies in the industrial field, then there must be arrangements for continuous consultation among the concerned organs of the United Nations system. Consequently, it is important that in the proposed consultative board of the new organ there should be full membership for the important specialized agencies working in the industrial field on the lines of membership provided for the IBRD, and it is not enough if specialized agencies are only invited to attend the Consultative Board meetings when necessary. The structure of the Consultative Board should accordingly be modified to provide for such continuous consultations which is important for the orderly development

of industrial activities having regard to the programmes of the different agencies which together must provide the impact for speedy industrial development of the developing countries.

(b) Procedure (see document E/3781, annex VIII, p. 86,
paragraph 43 B)

15. As in the past, FAO will continue to transmit to the organ progress reports on its activities in the field of industrial development, in order that it can present a total picture of the over-all effort of the United Nations family in the field of industrial development.

16. As regards the new organ building up a staff of engineers and related technically trained personnel and having its own representatives in the field to assist governments, care should be taken to see that the building up of the staff in subject matter fields falling within the competence and responsibility of the specialized agencies is avoided. This will prevent duplication of effort and enable the United Nations system to put to the best possible use the limited number of personnel available in specialized fields.

17. By maintaining the closest co-operation with the specialized agencies, the new organ could draw upon the competence and experience of the specialized agencies in the industrial field in which they are already working. For such collaboration its specialists should keep in touch with FAO Country Representatives and technical staff in the field.

(c) Financial arrangements (see document E/3781, annex VIII, p. 87,
paragraph 43 C)

18. Seen in the over-all dynamic context of increased assistance to developing countries in the field of industrial development, sufficient funds must become available not only to finance projects to be carried out by the new organ, but also to meet the increasing demand for industrial projects under Special Fund and EPTA falling within the responsibility and functions of the various specialized agencies. The suggestion to raise voluntary contributions for the operational activities of the new organ is therefore welcome.

19. As the new organ is intended to stimulate the industrial activities in all essential sectors of the economy in developing countries, the Executive Agency

functions which it will assume for Special Fund projects should strengthen and not in any way weaken the present Executive Agency functions of the specialized agencies like FAO with regard to Special Fund projects in their respective fields of competence.

Conclusion

20. FAO agrees that the establishment of a new organ within the framework of the United Nations could give an impetus to the work of the United Nations system in the field of industrial development. It is important that the programme of the new organ should be harmonized with those of the specialized agencies in their fields of competence in the industrial sector, and for this purpose there should be continuous consultation between the organ and the agencies. Such consultation could best be achieved by providing membership in the specialized agencies concerned in the Consultative Board of the organ instead of merely inviting such agencies to meetings of the Board when necessary. The resources allotted to industrial development sponsored by the United Nations family are inadequate in the light of the real needs of developing countries. For this purpose, the resources of both the new organ as well as the agencies already working in industrial fields falling within their competence must be enhanced. The funds made available through the Special Fund and EPTA for industrial development projects sponsored by specialized agencies will have to be greatly increased and their executive agency functions further strengthened. The establishment of a new organ and its own activities should provide the necessary stimulus in this direction so that jointly the whole United Nations system can intensify its over-all effort in the field of industrial development. As the idea of a new specialized agency for industrial development has not been favoured, out of the three nomenclatures indicated by the Advisory Committee of Experts, the one entitled "United Nations Industrial Development Administration" may be adopted, which will distinguish the new organ clearly from the specialized agencies and preserve its identity as an operating unit of the United Nations.

ACTIVITIES OF FAO IN THE FIELD OF INDUSTRIAL DEVELOPMENT

1. The first part of this report contains a summary of the large range of FAO's activities concerned with industrial development. A full progress report has been prepared for the third session of the Committee on Industrial Development held in May 1963 (document E/C.5/34/Add.1). In the second part, an attempt has been made to analyse the trends of FAO's budgetary allocations for its activities in the field of industrial development. As it has not always been possible to assess clearly the degree of involvement of Headquarters' units, field experts or staff members with industrial development activities, the figures given are approximate.

(i) Summary of FAO's activities in the field of industrial development

2. A considerable part of the Organization's work is related to the development of agricultural, forestry, fisheries and food products industries. In addition to the over-all planning and programming activities related to industrial development, the FAO programme of work in this field is concerned with the dissemination of information and transfer of technical practices and technological processes and their adaptation to prevailing conditions of developing countries. The major fields of specific FAO responsibilities and competence include the following:

3. Agricultural products processing. The improvement of agricultural processing methods aims not only at raising the quality of the processed products, but also at the reduction of the processing losses, and the utilization of by-products and waste-products, thus providing the way for the transition from a self-sufficient primitive agriculture to a market-oriented agriculture and a higher standard of living of farmers and of the rural population in general. Agricultural processing industries offer opportunities for farm people to acquire manual, operational and technical skills and are a very effective way to reduce under-employment in the agricultural labour force.

4. Activities in this field deal mainly with the conditioning, processing and storage of food crops like rice and other cereals, cassava, dates, olives, fruits and vegetables, nuts and oilseeds, sugar, coffee, tea, etc., and of

non-food products like hides, skins and leather, rubber, vegetable and animal fibres, technical oils, resins and lac, and animal non-edible by-products.

5. Fisheries products industries. In fisheries, the general heading "industrial development" comprises all technical operations and the equipment used: from fish detection through capture of fish in nets; handling and storage on board; landing, processing and distribution; to the use of fish and fish products by the ultimate consumer. It also covers many disciplines including naval architecture, harbour and marine engineering, gear design and fishing methods, fishermen's training, processing technology and food chemistry, quality control and hygiene and economic appraisals, including marketing and institutional studies.

6. Forest products industries. The activities of FAO in the field of forest products industries comprises two main aspects: firstly, the wide range of advisory and operational activities involving the economic, technical and policy aspects of forest industries development, and, secondly, problems of industrial processes, equipment and products. Through resource appraisals, pre-investment surveys and the assessment of industrial potentials, basic data are developed to determine the part that forestry and forest based industries should play within over-all economic and social development plans and to ensure a sound expansion of forest industries in accordance with trends in wood needs, raw material availabilities and changes in trade patterns.

7. Food products industries. These activities deal with the development of food products industries through the establishment and improvement of food preservation and processing installations. In terms of technological activities, this includes the technical aspects of handling, storage, preservation, processing and distribution of foods and the application of the results of scientific research and technological development work in these activities.

8. The work includes advice to governments on improvement in traditional food preservation methods; the development, processing and introduction of low-cost foods of high nutritive value, especially protein-rich foods; and advice on the feasibility of establishing and extending food preservation and processing facilities. The work in food legislation, food additives and standards has a direct bearing on the development and functioning of the food industries.

9. A large proportion of FAO's work in the field of dairy industry development is connected with the UNICEF/FAO Milk Conservation Programme as a result of which the dairy industry is developing rapidly in many countries. An important aspect is the determination of milk production potentials and possibilities for establishing dairy industries in specific areas.

10. Marketing, credit, co-operation and related matters. The main activities in the field of marketing are concerned with direct assistance to governments and marketing agencies of developing countries in introducing improved methods of assembling, handling, transporting, storing, grading, packing and selling food and agricultural products; planning and operating improved marketing and processing institutions and services, and developing new marketing channels to meet the changing needs, or to reduce costs.

11. Field project experts working on projects dealing with various aspects of agriculture, forestry, fisheries and food products industries include:

Dairy Development; Meat Processing; Milk Conservation; Poultry Production and Marketing; Processing and Marketing of Dairy Products.
Boat Building and Engines; Fish Harbour Engineering; Fish Preservation;
Fish Processing Technology; Fisheries Development; Fisheries Economy;
Gear Technology; Marine Fisheries (Oysters).
Board Industries; Forest Development; Forest Economy; Forest Engineering;
Forest Inventory Development; Forest Products Utilization; Mechanical
Logging; Pulp and Paper; Sawmill Engineering; Silviculture and Wood
Technology; Timber Extraction; Timber Marketing; Veneer Plywood Management;
Wood Technology; Wood Utilization.
Agricultural Tools and Implements; Agro-Allied Industries; By-Products
Utilization; Carcass Processing; Coffee Sorting and Testing; Date
Processing; Farm Products Processing; Grain Storage; Hides and Skins;
Leather Utilization; Processing and Marketing; Processing and Small
Industries; Rice Processing; Rural Industries; Tannery and Leather
Products; Tea Processing; Tropical Fruit Processing.
Food Research; Food Technology; Fruit Canning; Fruit Technology;
Promotion of Protein-Rich Foods.
Coconuts Production and Processing; Grain Handling and Preservation;
Peasant Tea Industry; Rubber Production and Processing.

12. Special Fund projects in the field of industrial development. While most of the 128 Special Fund projects approved by June 1963 for which FAO is Executing Agency, are designed to facilitate in one way or another the industrial development of low-income countries, there are twenty-eight projects which are specifically concerned with "industrial development". These projects could be classified into two main groups:

(a) Industrial and technological research institutes, the purpose of which is to define industrial potentialities, develop improved manufacturing techniques, design new equipment and products, and promote better use of local materials. Two of these institutes will conduct specialized research, investigations and training programmes as well as provide advice on specific problems in forest products industry; six of the institutes are to serve food industry in general; while four will assist in the development of small-scale industries. This group includes the following institutes:

CHILE:	Institute for the Development of Forest Resources and Industries
TURKEY:	Poplar Institute
GHANA:	Food Research and Development Unit
POLAND:	Research and Extension Services for Food Production, Processing and Utilization
SYRIAN ARAB REPUBLIC:	Food Processing Project
BRAZIL:	Tropical Centre of Food Research and Technology
CHILE:	Institute of Food Science and Technology
SUDAN:	Food Processing Research Centre
SUDAN:	Hides, Skins and Leather Development and Training Project
U.A.R.	Cotton Research Laboratory
U.A.R.	Central Agricultural Pesticides Laboratory
NIGERIA:	Hides and Skins, Demonstration and Training Project in the Northern Region

(b) Industrial pre-investment surveys and feasibilities studies, to demonstrate the physical and economic feasibility of developing particular industries in order to exploit known natural resources. This group includes

ten projects in forestry with special emphasis on the preparation and implementation of forest industry development plans as follows:

EQUADOR:	Pre-Investment Studies on Forestry Development in the North-West
GREECE:	Pre-Investment Survey of Selected Forest Areas
GUATEMALA:	Pre-Investment Study on Forestry Development
HONDURAS:	Survey of Pine Forests
MEXICO:	National Forest Inventory
THAILAND:	Paper and Pulp Material Survey
VENEZUELA :	(Guiana): Pre-Investment Survey on Forestry Development
CEYLON:	Pre-Investment Study on Forest Industries Development
COLOMBIA:	Pre-Investment Study on Forestry Development in the Magdalena Valley
INDIA:	Pre-Investment Study of Forest Resources

There are furthermore three institutes which are being set up to survey marine resources and to investigate the management of their exploitation as well as the processing and marketing of marine products. Another three projects are directed toward general development:

CHILE:	Fisheries Development Institute
EQUADOR:	National Fisheries Institute
PERU:	Marine Resources Research Institute
GREECE:	Economic Survey of Western Peloponnesus
TURKEY:	Development of Antalya Region
TURKEY:	Assistance in further Pre-Investment Surveys of the Antalya Region

13. FFHC Projects in the Field of Industrial Development. The following projects under the Freedom-from-Hunger Campaign, adopted or offered for consideration by National Committees and non-governmental organizations and for which FAO is the Executing Agency, are concerned with rural industries, food preservation, processing and technology, and other aspects of industrial development:

AFGHANISTAN:	Pilot Project for a Refrigerated Transport System
AFRICA:	Group Country Project for the Reduction of Losses in Stored Grains in West Africa

- BOLIVIA: Preparation of Local Protein-Rich Flour (under consideration by the Oxford Committee for Famine Relief)
- CEYLON: Demonstration and Training in the Processing of Cassava
- CYPRUS: Olive Oil Processing
- DAHOMY: Sugar Cane Processing for the Extraction of Raw Sugar and By-Products
- DAHOMY: Processing and Packaging of Cashew Nuts and the Utilization of the By-Products
- INDIA: Establishment of Feed Mixing Plant to stimulate Dairy and Poultry Production (sponsored by the United Kingdom FFHC Committee, financed by the Oxford Committee for Famine Relief)
- INDIA: Regional Training Centre in Food Technology for Asia and the Far East (adopted by Canadian FFHC Committee)
- INTERNATIONAL: Mechanization of fishing boats partly adopted by Canadian FFHC Committee and the Outboard Marine Corporation
- MADAGASCAR: Establishment of a training and demonstration centre for instructors in the rearing of Silk-worms, reeling of cocoons and handloom weaving
- MALAYA: Research on small capacity rice mills for village use
- NEAR EAST: A pilot demonstration and training project on the processing and packaging of dates and utilization of by-products
- NEAR EAST: The improvement of meat distribution and marketing in the Near East with a view to increasing meat consumption
- NIGERIA: Improvement of processing and packaging of cashew nuts and the full utilization of by-products in the Eastern Region
- PAKISTAN: Co-operative date processing plant, adopted by Oxfam
- PERU: Campaign to introduce use of fish protein concentrates
- SOMALIA: Production of fruits and fibres from bananas and the utilization of the fibres for sack manufacture
- SYRIA: Development of sericulture
- THAILAND: Research in wood packaging for food distribution
- THAILAND: Silk production training centre

TURKEY:	Training of artisans who use wood as raw material
U.A.R.	Grain storage in aluminium silos
UNITED KINGDOM:	Training course for dairy technicians (adopted by the United Kingdom FFHC Committee)

(ii) Analysis of Budgetary Trends^{2/}

14. FAO's work in the above fields is financed both from Regular Programme funds and various operational programmes, such as Special Fund, EPTA and the Freedom-from-Hunger Campaign.

15. During 1962/63 approximately thirty-eight professional staff under the Regular Programme are engaged in work related to "Industrial Development": fifteen of these are employed in the Forestry and Forest Products Division, particularly in the Forest Industries and Utilization Branch and the Forest Economics Branch. In the Fisheries Division, ten officers are concerned with the subjects: Fishing Boats, Fishing Gear, Fish Processing and Fisheries Institutions and Enterprises. In the Land and Water Development Division three officers for Rural Industries, Farm Products Processing and Agricultural Products Processing respectively are dealing full-time with important aspects of rural industrialization. The Nutrition Division has five officers dealing with Food Technology and the Plant Protection and Production Division one officer concerned with the processing and storage of Industrial and Tropical Crops. Several officers in the Economic Analysis Division (Marketing Branch) and Rural Institutions and Services Division (Co-operatives, Credit and Rural Sociology Branch) are devoting part of their time to selected aspects of "Industrial Development".

16. Ten new professional officers under the Regular Programme are proposed for the 1964/65 biennium to strengthen FAO's work toward the development of agricultural, fisheries, forestry and food products industries which will bring the total number of such professional staff up to forty-eight.

17. In 1963, under the Expanded Programme of Technical Assistance (EPTA), FAO employed 159 experts with a total of 1,352 man-months on industrialization type

^{2/} The budgetary figures given in this chapter are approximate.

assignments. This amounts to 112.7 man-years or approximately \$4.1 million for the 1963/64 biennium. It may be assumed that this figure will be maintained during the 1965/66 biennium, as a large number of these experts is included in the long-term projects of the programme.

18. The Special Fund allocations (field) of the twenty-eight Special Fund projects specifically concerned with industrial development and for which FAO has been assigned Executing Agency, amounts to almost \$18.1 million including projects adopted at the June 1963 session of the Governing Council. Allocations for Special Fund projects in this field were as follows:

<u>Year</u>	<u>No. of Projects</u>	<u>SF Allocation (Field)</u>
1960	4 projects ^{a/}	2,191,192
1961	7 projects ^{b/}	4,260,540
1962	4 projects	3,314,700
1963	13 projects	8,318,900
<hr/> 1959 - 1963	<hr/> 28 projects	<hr/> 18,085,332

a/ 2 projects approved in December 1959.

b/ 5 projects approved in December 1960.

19. The share of Special Fund projects dealing with "Industrial Development" from a total number of Special Fund projects implemented by FAO has increased during recent years. From fifteen Special Fund projects assigned to FAO at the June 1963 session of the Governing Council, eight projects alone are concerned with the establishment of industrial and technological research institutes as well as pre-investment surveys and feasibility studies.

20. Under the Freedom-from-Hunger Campaign, FAO is Executing Agency for twenty-four projects concerned with various aspects of Industrial Development. While most of these projects are still being considered for financing by FFHC Committees and non-governmental organizations, it may be assumed that at least one fourth of them will become operational in 1964 with a composite budget of about \$1-2 million.