



Twentieth session
Agenda item 40

ACTIVITIES IN THE FIELD OF INDUSTRIAL DEVELOPMENT

Organizational arrangements for industrial development
and provision of additional financing on a voluntary
basis for operational activities

Report of the Secretary-General

1. At its thirty-ninth session, the Economic and Social Council considered a suggestion concerning the establishment of a voluntary fund to finance operational activities in the field of industrial development. After some discussion, during which various views were expressed on the desirability of an additional source of financing of this nature, the Council decided, by 24 votes to none, with 2 abstentions, to include the following passage in its report:

"Most delegations noted with interest the suggestion made by the United Kingdom that an additional source of financing on a voluntary basis should be established within the over-all framework of the proposed United Nations Development Programme, under special arrangements to be worked out between the management of the United Nations technical co-operation programme and the Commissioner for Industrial Development, to assist in financing operational activities in the industrial field.

"They considered that it might be useful if the Secretary-General, in the light of the discussions and of Council resolution 1081 F (XXXIX) were to make a brief progress report to the General Assembly at its twentieth session on the organizational arrangements which he envisaged as 'endowing the Centre for Industrial Development with the necessary operational flexibility and autonomy consistent with the nature and requirements of a broadly based programme of action to accelerate the industrialization of the developing countries', at the same time giving consideration to the question of providing additional financing on a voluntary basis and the way in which it might be utilized within the framework of the United Nations Development Programme." 1/

1/ Official Records of the General Assembly, Twentieth Session, Supplement No. 3 (A/6003), paras. 146-147.

2. The present report, which has been prepared pursuant to the above request, is accordingly divided into two parts; part I deals with the organizational arrangements, and part II with the proposed establishment of voluntary financing.

I. ORGANIZATIONAL ARRANGEMENTS

3. In recent decisions both the General Assembly and the Economic and Social Council have expressed their concern at the need to expand United Nations activities in industrial development and to strengthen the resources devoted to the work in this field. In line with the need to strengthen the Secretariat to a level where it could effectively discharge responsibilities in this field, provisions for building up the resources of the Centre for Industrial Development were included in the budget estimates for 1966.^{2/} As reported to the Committee for Industrial Development (E/C.5/L.52), the proposed increase for 1966 is part of an over-all programme aimed at providing the Centre for Industrial Development with a minimum target establishment of some 200 professional posts over the biennium of 1966-1967. Annex I below contains a summary of the 1966 budget estimates in respect to the Centre for Industrial Development. Annex II includes detailed information regarding the proposed target establishment and an account of the functions of the various units contemplated under the new organizational structure of the Centre.

4. To enhance further the effectiveness of the resources devoted to industrial development, efforts are being made for their flexible utilization in accordance with the principles for action in the field of industrial development outlined by the Council in its resolution 1030 A (XXXVII). The need for a flexible approach consistent with the particular requirements of industrial development is being felt not only with respect to the utilization of budgetary credits but also in matters related to the recruitment of staff and experts and to other administrative questions. As far as possible efforts are being made to ensure all the flexibility consistent with the existing rules and regulations as well as with the responsibilities of the Secretariat in other areas.

^{2/} Ibid., Supplement No. 5 (A/6005), section 3.

5. Some consideration might be given in this context to the question of the appropriate balance between the magnitude of resources and the organizational framework. The Council's concern for the "necessary operational flexibility and autonomy consistent with the nature and requirements of a broadly based programme of action..." reflects indeed on the need for organizational adjustments designed to ensure an optimum balance between the action required, the means available and the machinery needed to put them to use.

6. In particular, the question of the degree of autonomy required by United Nations activities in the field of industrial development has been under consideration for some time by both the General Assembly and the Economic and Social Council, in connexion with the establishment of an appropriate machinery in this field. It will be recalled that under Council resolution 873 (XXXIII) an advisory committee of ten experts convened early in 1963 to examine this question. In reporting their conclusions to the Committee for Industrial Development at its third session, the committee of experts noted: "A certain progress has been made; nevertheless, the committee feels that a greater degree of authority is needed to provide the required impetus to industrial development."^{3/} It recommended "that a special organ, which might be called the United Nations Industrial Development Organization (UNIDO), be established under the authority of the General Assembly

^{3/} E/3781, annex VIII, para. 28.

and the Secretary-General".^{4/} Subsequent action was reflected in Assembly resolution 1940 (XVIII) and in several Council resolutions.^{5/} Furthermore, in connexion with recent recommendations contained in Council resolutions 1030 B (XXXVII) and 1081 F (XXXIX) and the decisions of the United Nations Conference on Trade and Development reflected in annex A.III.1 of the Final Act, the matter is now before the General Assembly for its consideration.^{6/}

II. PROPOSED ESTABLISHMENT OF VOLUNTARY FINANCING

7. One of the main reasons for the concern with strengthening the resources of the Centre for Industrial Development was to enable it to support a considerable expansion of the technical co-operation activities in industry under the existing programmes. Accordingly, efforts will continue with a view to increasing the number of projects in the field of industrial development under the Expanded Programme of Technical Assistance and the Special Fund. These efforts are being assisted by the use for appropriate projects, of funds from the Executive Chairman's Contingency

^{4/} Ibid., para. 43. The following passage of the Committee's report (paras. 40 and 41) dealt explicitly with the question of flexibility and autonomy:

"The Committee considered that the special responsibility and authority of the United Nations in the field of industrial development should be explicitly acknowledged in some appropriate directive of the General Assembly. The Committee then considered what organizational and institutional structure within the United Nations could best be vested with the necessary authority to provide the leadership and impetus required to achieve the aims and objectives of the United Nations in this field. In this connexion the Committee made inquiries as to the various institutional forms that exist within the United Nations where some special operative authority is desired to be combined with regular budgetary, staffing and administrative arrangements under the Secretary-General.

"The Committee understood that a variety of such institutions* exist and considered that certain features of these institutions might be incorporated in the type of organization that is needed in the field of industrial development. In the opinion of the Committee, this type of organization could be set up without undue delay and would meet the requirements for budgetary flexibility and a sufficient measure of authority to provide leadership and co-ordination, enabling a global strategy for the United Nations effort in the field of industrial development to be evolved.

* Examples are UNICEF, the Special Fund and the Office of the High Commissioner for Refugees."

^{5/} Particularly resolutions 969 (XXXVI), 1030 (XXXVII) and 1081 (XXXIX).

^{6/} See A/5826.

Fund and the preparatory allocation authority of the Managing Director. However, the need to adapt procedures and means of action to the particular requirements of the industrial development activities, which has been recognized by the Council, applied also to the operational programmes as well as to the Centre's supporting activities.

8. In particular, it must be recognized that in addition to the relatively long-term projects financed at present under Special Fund allocations and the medium-term activities programmed on a biennial basis under the Expanded Programme of Technical Assistance, there is a large area in the manufacturing industry which involves the need for more flexible means of assistance. Because this area has remained largely outside the scope of present programmes it cannot be easily defined by reference to the customary description of activities. Essentially, it may be said to embrace the range of services required by Governments for the implementation of projects in the manufacturing field after the initial feasibility study has been completed and until financing for the necessary capital investment has been assured. In addition to this "action gap", there is a whole range of practical needs in the manufacturing industry, with respect to both new and existing industries, which cannot be easily handled under the future project procedures on which most existing programmes are based. Quite frequently these are short-term needs which cannot be programmed in advance and the effectiveness of the assistance depends on the ability to meet Government requests within a minimum period of time. Far from representing a set of standardized requirements, the type of assistance required in each case is likely to vary and thus, taken as a whole, the programme in this area would have to be based on a composite range of advisory services adaptable to the particular needs of each case. Furthermore, each successive step in the promotion and conduct of an industrial project towards its practical implementation is conditioned by the results of the preceding measures; thus, it may not be feasible to subject each ensuing action to the normal programming procedures.

9. The existing "gap" could be bridged by the establishment of a programme that would provide "special industrial services" in a flexible form and on a massive scale so as to facilitate the carrying over of existing projects to the point of actual investment. This final stage in the implementation of industrial projects

is particularly critical and the steps leading to capital financing require considerable skill and technical knowledge. Similar services would also have to be provided to help Governments to solve the technical problems that frequently arise in the early stages of production.

10. The following listing may serve as an illustration of the nature of the activities under discussion:

(a) Ad hoc assignment of high-level experts, whose services may be requested on relatively short notice, to advise about specific questions related to the preparation and implementation of industrial projects;

(b) Assistance in the different stages of new manufacturing projects, particularly in respect to the practical needs during the post-feasibility stage of the project, until appropriate financing is assured;

(c) Expert services on an intermittent basis, each to make available specialists for brief periods of time during the development of the project, whenever the need for the particular skills arises;

(d) Industrial projects involving complex manufacturing techniques in more than one field of specialization frequently require the co-operative attention of various specialists such as can be obtained through ad hoc arrangements with specialized institutions or consulting engineering organizations who possess accumulated experience in the specific field and are prepared to make available on short notice teams of specialists to handle simultaneously the specialized aspects of the job;

(e) In other instances, the situation may require a totally different approach, namely, instead of sending a team of experts to work on the spot it may be necessary to bring one or several national technicians to the sources of specialized knowledge abroad either to obtain the required assistance or to learn from first-hand observation the solution to technical problems as practised in industrialized areas;

(f) Support assistance in solving specific problems which may or may not be part of a field project. Quite frequently the need arises for technical documentation, computations or data of a particularly complex nature, laboratory analysis of a type not available locally, design work of a specialized nature, etc.

Frequently these are marginal aspects of the project concerned but more often than not they are key requirements to assure the technical soundness of the project;

(g) Confidential consultations at a high policy level on matters relating either to specific projects or industrial development policies and advice on industrial project promotion problems;

(h) Assignments of a "trouble shooting" nature to solve technical problems arising in connexion with the operation of plants and machinery, flow of materials, quality control, etc.

11. It would be misleading to interpret the diversity of the requirements illustrated by the above examples as merely a series of scattered actions. The diversity in the individual means of action follows naturally from the main purpose of an operational framework specially suited to the particular requirements of industrializing countries when they are establishing and expanding their manufacturing sector. But, to be effective in each case and meaningful within the total effort, assistance cannot proceed in a sporadic fashion; it must be envisaged as a sustained programme of special industrial services dealing with some of the crucial problems in the practical implementation of industrial development. Aside from the question of evolving a systematic pattern of action to close the existing "gap", it is clear from the outset that the need for assistance in this area is already very great and that it will in all likelihood continue to grow very rapidly.

12. The full scope of the requirements of assistance under this type of programme cannot be anticipated with certainty at this stage. Many of the requirements of the developing countries are at present inadequately met or not met at all for lack of facilities. In the face of the existing concern with accelerating industrialization it may be anticipated that the potential demand for the services contemplated is already very large and also that these needs are likely to continue to increase very rapidly. Furthermore, the existence of a programme of sufficient scope is likely to have the effect of transforming the potential needs into actual requests, thus increasing further the demand for services under the proposed programme. It would therefore seem more appropriate at this time to give to the new programme - at least as far as its financing is concerned - a temporary and experimental character, subject to revision in the light of subsequent developments.

13. A major question in initiating the proposed programme of special industrial services is the source of financing and the type of arrangement under which the resources devoted to this purpose would become operational. In line with the common practice, the financing would have to be based on voluntary contributions, as envisaged in the original suggestion made by the United Kingdom at the thirty-ninth session of the Council. The detailed arrangements concerning the operation of an additional means of financing for this purpose would have to be worked out carefully on the basis of the policy decisions that the General Assembly may take. Some basic requirements and possible alternatives are discussed below on a tentative basis.

14. A new fund for industrial development based on voluntary contributions by Member Governments on a replenishable basis could be established to finance the provision of systematic and sustained assistance under the proposed programme of special industrial services. An over-all target amount could be set initially or appropriate annual targets could be established by the General Assembly in the light of requirements reflected in the yearly review of the operations of the fund. The rules and procedures for the operation and management of a fund of this nature would have to be particularly adapted to the requirements of flexibility and speedy handling of the contemplated programme of assistance services. However, it may be some time before Member Governments can agree on the establishment of a new voluntary fund and on the steps required to put it in operation. Furthermore, the establishment of a new voluntary fund at this stage would have to be viewed in the light of the present move to concentrate existing operational programmes under the United Nations Development Programme (UNDP).

15. An alternative approach might be the setting up of a Special Allocation for Industrial Development under UNDP by earmarking specific resources for this purpose, which would make it possible to initiate operations at an earlier stage. To this may be added, as a supplementary source of funds, the authority to receive voluntary contributions that Member Governments might wish to make, whether in cash or services, specifically for operational activities of this nature. Consideration might have to be given to the provisions of General Assembly resolution 1240 (XIII). The level of expenditures would be established from time to time by the Governing Council of UNDP on the basis of proposals submitted

to it by the Administrator. The Administrator would have the authority to decide, after consultation with the Commissioner for Industrial Development, on individual items. A strengthened system of control at the policy level might be achieved by an appropriate form of reporting to both the Governing Council, which would be concerned primarily with the use of funds and the relationship between the activities financed and those of other components of the United Nations Development Programme, and to the Committee for Industrial Development (or any successor body which may be established), which would exercise its review functions primarily from the point of view of the adequacy of the activities in relation to the requirements of the industrialization efforts of the developing countries.

16. A third alternative would be the possibility of financing the new programme of special industrial services under the existing operational procedures of UNDP through broader authority that may be given to its management to undertake on a flexible basis the financing of the types of assistance envisaged under this programme. On the administrative level the approval of individual projects might follow the procedure outlined in the preceding paragraph, namely, they would be authorized by the Executive Head of UNDP after consultation with the Commissioner for Industrial Development.

17. In general terms, the particular requirements of the programme of special industrial services seem to combine some of the features of the preparatory allocations which the Managing Director of the Special Fund is authorized to approve and the present technical assistance contingency authority of the Executive Chairman of the Technical Assistance Board. These two operational facilities incorporate, following the requirements of their respective programmes, certain features of operational flexibility which may be viewed as precedents for the type of arrangement required in the field of development. However, they do not fully meet the specific requirements of the proposed programme of special industrial services. Consideration should be given to whether the present policies and procedures governing these two operational facilities should be modified where necessary.

18. It is worth noting that under the second or third alternative, the establishment of special responsibility for UNDP in the industrial development sector is likely to elicit renewed interest on the part of contributing Member Governments, who have shown high awareness of the needs in this field and have

given strong support for action through increased resources. Thus, it may be anticipated that far from affecting existing activities, particular action to meet the requirements of industry within the framework of UNDP is more likely to contribute to an over-all increase in voluntary contributions.

19. A similar provision may also be made for those cases where Governments are willing to contribute additional voluntary funds provided that these can be identified specifically with industrial development activities. The authority of the Secretary-General to receive voluntary contributions in accordance with sections 7.2 and 7.3 of the United Nations Financial Regulations was brought to the attention of Governments in Economic and Social Council resolution 1030 A (XXXVII). An initial contribution has been received from the Government of Sweden and other Governments have given indications of their interest in making contributions under this provision. The Assembly may wish to bring again to the attention of Member Governments the possibility of effecting specific contributions for industrial development through this mechanism. Efforts would be made to ensure that, when such voluntary contributions received specifically for industrial development are used as an additional source of financing for operational activities, effective and close co-ordination is maintained with the management of UNDP both in respect of the development programme as a whole as well as in respect to financing provided from UNDP for the programme of special industrial services.

20. It should be noted that there is already appropriate inter-agency machinery in existence for ensuring co-ordination of all programmes of an operational nature financed from regular budgets and voluntary funds.

21. Under any of the alternatives, the nature of the contemplated activities makes it particularly difficult to estimate in advance the total resources that would be required for financing the proposed programme of special industrial services. At the outset it may be assumed that following an initial period devoted mostly to the building up of the programme, the rate of operations should be increasing very rapidly up to the point where the programme levels off after reaching an over-all volume consistent with the currently expanding requirements of the industrializing countries. It may be estimated, as a general guide to the possible magnitude of the resources that would be required, that these could reach a level of some

\$20 to \$25 million over the full duration of an initial experimental period of three years. Examination of the results and magnitude of operations during the experimental period would provide a better basis for estimating subsequent annual requirements under this programme.

ANNEX I

Items provided specifically for the Centre for Industrial Development
 in the budget estimates for 1966 a/

	\$
<u>Section 2. Special meetings and conferences</u>	
International symposium and regional symposia on industrial development	602,000
<u>Section 3. Salaries and wages</u>	
(i) In respect of 123 professional and higher level posts and 90 general service posts b/	1,814,300
(ii) Temporary assistance	6,000
(iii) Experts and consultants	300,000
(iv) <u>Ad hoc</u> expert groups	50,000
(v) Overtime	3,500
<u>Sections 4 and 5. Common staff costs and home leave travel</u>	
Assessed on the basis of 25.44 per cent of the costs of established posts shown under section 3	461,600
<u>Section 5. Travel of staff</u>	
For travel of the Commissioner and senior staff on official business	50,000
<u>Section 11. Printing</u>	65,400

a/ It should be noted that the estimates for industrial development also provide:

- (1) Industry divisions at each of the four regional commissions, which also cover largely activities in the fields of natural resources, energy and transport, a total of 99 professional posts and 43 general service posts;
- (2) A sum of \$1,055,000 for the United Nations regular programme of technical co-operation;
- (3) The administrative, language, conference and documents services, and the supplies, equipment and premises required by the Centre, the industry divisions of the regional commissions and the programme of technical co-operation.

The estimates may be subject to reductions in the light of the recommendations made by the Advisory Committee on Administrative and Budgetary Questions (A/6007), should the General Assembly approve those recommendations.

b/ In comparison with 50 professional and 38 general service posts provided to the Centre in 1965.

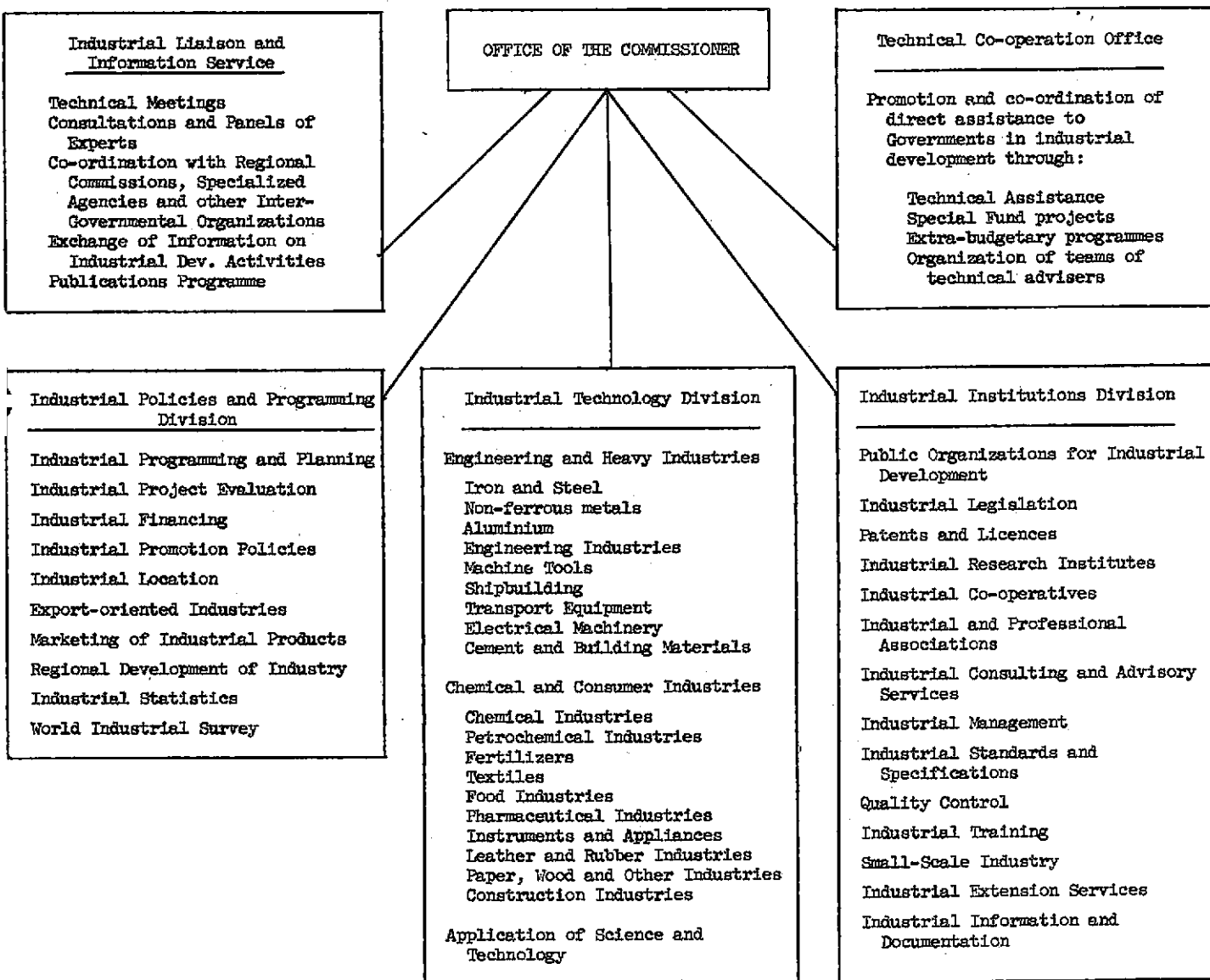
ANNEX II

Proposed organization of the Centre for Industrial Development

1. The chart below represents the organizational structure envisaged for the Centre for Industrial Development under the proposed target establishment to be achieved over the biennium of 1966/1967:

CHART 3-3

CENTRE FOR INDUSTRIAL DEVELOPMENT
 ORGANIZATIONAL CHART



2. The proposed functions of the various units of the Centre for Industrial Development listed in the above chart are briefly summarized in the text that follows.

The Centre for Industrial Development:

Provides the secretariat and documentation for the Committee for Industrial Development; organizes meetings, seminars and symposia on industrial development;

Follows technological developments in different branches of industry particularly with a view to their applicability for the rapid industrialization of developing countries;

Provides on request advice to Governments on policy and technical aspects of industrialization programmes, on the mobilization of national resources for industrialization and the furtherance of bilateral or multilateral arrangements for development of industry;

Acts as a focal point for co-ordinating the activities in the field of industrialization of the United Nations system of organizations, and promotes international programmes of technical assistance in this field;

Provides substantive guidance and support to technical co-operation programmes in the field of industrial development;

Engages in research and the preparation of studies and performs other functions described below:

(a) Industrial liaison and information service

Maintains liaison with the organizations of the United Nations system for the purpose of implementing the functions of the Centre in its role as a focal point for co-ordination of industrial development activities;

Maintains liaison with other international and national organizations with a view to promoting co-ordinated action in the field of industrial development;

Plans and implements specific programmes of information on industrial development; assists in planning and carrying out the Centre's programme of documentation and publications;

Organizes consultative services and assists in the establishment of panels of experts and the organization of technical meetings.

(b) Technical Co-operation Office

Promotes technical co-operation activities, and co-ordinates the Centre's role in providing substantive support for technical co-operation activities in the field of industrial development, particularly under the Expanded and Regular Programmes of Technical Assistance and Special Fund projects;

Co-ordinates the utilization of the teams of technical advisers for organizing advisory services to Governments in the definition of needs, formulation or evaluation of projects and in the preparation of requests to the Special Fund.

(c) Industrial Technology Division

Engineering and Heavy Industries Branch
Chemical and Consumer Industries Branch
Adaptation of Technology Section

Through these units, the Division:

Carries out research dealing with technological aspects of industrialization with a view to providing current data on such matters as development in technology adaptation of processes and problems of transfer of technology involved in the process of industrialization in the developing economies; prepares reports on these questions for consideration by the Committee for Industrial Development and the Advisory Committee on Science and Technology;

Undertakes continuing review of existing and newly developed technological processes in respect to specific industries such as iron and steel, non-ferrous metals, engineering and mechanical industries, machine-tools, shipbuilding and transport equipment, electrical machinery and equipment, cement and building materials, construction industries, chemical and petrochemical industries, fertilizer production, textiles, food industries, pharmaceuticals, paper industries, light consumer industries, etc.;

Organizes seminars and study groups for the dissemination of technological information on industries of special importance to the developing countries;

Provides substantive support to technical assistance and Special Fund activities in the above fields;

Prepares manuals and handbooks on specific industries and industrial processes.

(d) Industrial Policies and Programmes Division

Industrial Policies Branch

Industrial Programming Section

Industrial Survey Section

Through these units the Division:

Undertakes studies on public policy matters affecting industrial development, including studies related to national policies in fields such as industrial investment and financing, taxation, income and price policies affecting industry, regional industrialization policies; trade policies, particularly in relation to exports of manufactures and semi-manufactures; protection and incentive measures; industrial employment and wage policies;

Undertakes research related to industrial planning, including problems of location of industries, prepares documentation for consideration by the Committee for Industrial Development, and other United Nations bodies;

Carries out studies on the structural problems related to industrial development in the context of the economy as a whole; the development and evaluation of industrial programming and planning techniques; methods for the formulation, appraisal and implementation of industrial projects;

Provides support to technical assistance and Special Fund activities in the above fields.

(e) Industrial Institutions Division

Industrial Development Organizations Branch

Small-Scale Industry Section

Training and Management Section

Through these units the Division:

Undertakes studies on the supporting institutional framework for industry including those related to the organization, functions and activities of public agencies, industrial research facilities, industrial development corporations, patent offices, standards and testing laboratories, industrial construction and consulting engineering organizations, federations of industry, chambers of commerce, professional associations, trade unions, industrial co-operatives, etc.;

Engages in research and operations relating to the establishment of basic industrial services including industrial extension services, industrial legislation, patents and licensing systems;

Undertakes studies on problems related to the development of small-scale industries and the establishment of industrial estates within over-all programmes of industrialization;

Undertakes studies on the assessment of requirements and facilities for training technical cadres for industrial development; organizes training programmes for groups of managerial and technical personnel for industry from developing countries; prepares and evaluates teaching material for training in industrial development;

Provides support to technical assistance and Special Fund activities in the above fields and prepares documentation and reports for the Committee for Industrial Development and other United Nations bodies.
