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UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

Establishment of a United Nations industrial development fund

Report of the Secretary-General

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## I. INTRODUCTION

1. The present report of 6 December 1973, is submitted in pursuance of paragraph 3 of General Assembly resolution 3086 (XXVIII), which reads as follows:

"The General Assembly,

" ...

"3. Requests the Secretary-General to prepare a report on the question of the establishment of a United Nations industrial development fund through the consolidation of all voluntary contributions to the United Nations Industrial Development Organization other than those to the United Nations Development Programme, as envisaged in paragraph 2 of decision II (VII) of the Industrial Development Board, and to submit the report to the General Assembly at its twenty-ninth session;"

2. In the following paragraphs a brief review is given of similar funds, possible aims and purposes of an industrial development fund and various or organizational aspects. Only tentative aims and objectives of the fund are given, since it is the General Assembly that will make the final decision on the establishment of the fund, including its aims and objectives.

## II. EXISTING FUNDS

3. Several similar funds are already in operation. The United Nations Fund for Population Activities was established in 1967, in pursuance of General Assembly resolution 2211 (XXI) and Economic and Social Council resolution 1084 (XXXIX), to provide systematic and sustained assistance to countries desiring aid in assessing and coping with their population problems.

4. The need to meet additional financial requirements for environmental programmes was the primary stimulus for the establishment of the Fund of the United Nations Environment Programme under General Assembly resolution 2997 (XXVII) of 15 December 1972.

5. The United Nations Capital Development Fund was established in pursuance of General Assembly resolution 2186 (XXI) as an autonomous organization within the United Nations to assist developing countries in the development of their economies by supplementing existing sources of capital assistance by grants and loans, particularly long-term loans free of interest or at low interest rates.

6. Several other funds are envisaged or are in the early stage of development. The International Fund for Human Settlements was established by the General Assembly in resolution 2999 (XXVII), of 15 December 1972, with the primary objective of providing seed capital and technical assistance for the effective mobilization of domestic resources for housing and the environmental improvement of human settlements.

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7. In resolution 1837 (LVI) of 14 May 1974, the Economic and Social Council proposed the establishment of a United Nations Revolving Fund for Natural Resources Exploration, based on the philosophy of sharing, to a limited extent, the benefits of exploration discoveries made by projects financed by the Fund. The General Assembly, in resolution 3202 (S-VI) of May 1974, entitled "Programme of Action on the Establishment of a New International Economic Order", decided to establish a Special Fund under the auspices of the United Nations as part of the Special Programme to mitigate the difficulties of the developing countries most seriously affected by the economic crisis.

8. The FAO Council, at its sixty-third session, has proposed, on the basis of Economic and Social Council resolution 1836 (LVI), of 14 May 1974, the establishment of an International Fertilizer Supply Scheme (resolution 1/63). This Scheme is designed to increase the availability of fertilizers to developing countries, including the establishment of a fertilizer pool, and to mobilize financial and technical assistance for the purchase of fertilizers and for the improvement of domestic fertilizer production for importing developing countries.

### III. AIMS AND PURPOSES OF THE UNITED NATIONS INDUSTRIAL DEVELOPMENT FUND

9. The United Nations Industrial Development Fund would enable UNIDO to provide more effective assistance to the developing countries, consistent with the measures set out in General Assembly resolution 3202 (S-VI). It would also permit UNIDO to fulfil its mandates as spelled out in specific resolutions adopted by the General Assembly, the Industrial Development Board and the Special International Conference of UNIDO, resolutions whose implementation has been delayed owing to lack of financial resources. The Fund should complement traditional sources of finance made available to UNIDO without overlapping such sources.

10. The Fund should allow UNIDO to function as an effective organization in assisting the developing countries to increase their share in world industrial production, while stimulating harmony and co-operation among developed and developing countries. Special emphasis might be placed on the financing of activities directed towards such areas as:

(a) Financing the instruments of consultation and negotiations. The efforts towards the establishment of a new international economic order will of necessity require some modification of the traditional instruments of industrial development aid. In the interests of more extensive world-wide co-operation rather than confrontation, UNIDO could initiate and stimulate consultations and negotiations among Governments and groups of Governments, among sources of finance and technology, and industrialists in general; it could also strengthen the national and multinational machinery and information systems for this purpose.

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(b) Strengthening promotional activities. By linking technical and pre-investment assistance, on the one hand, and economic and business assistance, on the other, UNIDO could improve the effectiveness of promotional activities and reduce the time gap between feasibility studies and the investment decisions about industrial projects.

(c) Strengthening the research and study activities of UNIDO. In pursuance of the numerous recommendations and resolutions, especially the recommendations of the Group of High-Level Experts on a Long-Range Strategy for UNIDO (ID/B/133) as endorsed by resolution 42 (VIII) of the Industrial Development Board, calling for the strengthening of the work of UNIDO in research and studies, particular attention could be given to stimulating and emphasizing:

- (i) Over-all long-range prospects and trends of industrial development in the broader sense of the term and the interrelationship of industrial development with other aspects of social and economic development in the developing countries;
- (ii) Follow-up of current activities and developments related to industrialization, financing, exports and other aspects of policies and practices relevant to the industrialization of developing countries. These short-term follow-up and information activities should constitute a form of "early warning" system, detecting events and trends that might effect the industrialization of plans and policies of the developing countries.

(d) Strengthening of the industrial information system. UNIDO could initiate the establishment of an effective information clearing house that would provide the developing countries with important information relating to such aspects as industrial policies and projects, industrial technology, equipment, business aspects of industrialization and consulting organizations.

(e) Intensifying co-operation among developing countries. The co-operative programmes among developing countries could be intensified in several fields, including the development and transfer of technology, the training of personnel, industrial research programmes, the exchange of experience and information, and joint projects.

(f) Development and transfer of technology. Although UNIDO as a whole is active in the field of transfer of technology, the Fund might enable UNIDO to tackle technological problems of a global nature and harness the capabilities of the industrialized countries to the benefit of the developing countries through a variety of instruments, such as:

- (i) Negotiations with sources of technology with respect to the purchase of patents and licences and the acquisition of technology under most favourable conditions to developing countries;
- (ii) Expansion of pilot plant schemes and application of the findings of research;

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- (iii) Mobilization of existing institutions to solve technological problems that would be of interest to more than one developing country, and make such results available to other interested countries.

#### IV. FINANCING

11. In addition to finances provided by UNDP, UNIDO currently derives its finances from four different sources, each of which, under its particular programme, has its own characteristics and procedures. The four sources of finance are the United Nations regular budget, the United Nations regular programme of technical assistance, the UNIDO General Trust Fund and funds-in-trust.

12. The United Nations industrial development fund could be financed by voluntary contributions of Governments, as well as of governmental and non-governmental organizations. Should the General Assembly so decide, other sources of UNIDO finance, such as the UNIDO General Trust Fund and funds-in-trust might also be included. UNIDO's share of the regular programme of technical assistance might also be programmed with greater flexibility so that its contribution to the general objectives of the proposed fund might be rendered most effective. For this purpose, UNIDO might be granted the necessary facilities enabling it to harmonize the utilization of all resources. By combining various funds, the industrial development fund would have at its disposal freely convertible currencies, thus establishing an interrelationship and interaction between the various sources of funds, convertible and non-convertible; this would provide greater flexibility in programme approval and programme implementation. Consequently, UNIDO could respond more speedily to requests from developing countries.

#### V. INSTITUTIONAL ARRANGEMENTS AND MANAGEMENT OF THE FUND

13. Depending on the decision of the General Assembly, the procedures and rules of utilization of the fund would be worked out and the Industrial Development Board would be authorized to approve the guidelines for programme formulation of the fund and to review annually its activities.

14. The Executive Director might be requested to submit an annual report to the Industrial Development Board on the management and utilization of the fund. Such a report could be appended to the report of the Industrial Development Board, submitted to the General Assembly through the Economic and Social Council.