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DEVELOPMENT AND INTERNATIONAL ECONOMIC CO-OPERATION

Mobilization of financial resources for industrial developmentNote by the Secretariat

By decision **40/434** of 17 December 1985, the General **Asaembly**, on the recommendation of the Second Committee, **1/** decided to deter until Its forty-first session consideration of the draft resolution entitled "**Mobilization** of financial resources for industrial **development**". **2/** The text of the draft resolution is reproduced below.

Mobilization of financial resources for **industrial** developmentThe **Fourth** General Conference of the United Nations Industrial Development **Organization**,

1. **Convinced** that financial **resources** are a key factor for the industrial **development** of **developing** countr ies,

2. **Emphasizing** that international financial co-operation should be **strengthened**,

3(a) [**Concerned** at the inadequacy of domestic and external financial resource availability as well as the difficulties of **mobilizing** financial resources which constitute a major constraint on the **industrialization** of **developing** countries.] (Group of **77**)

1/ Official Records of the General Assembly, Fortieth Session, Annexes, agenda item **12**, document **A/40/1009/Add.2, para. 29.**

2/ Ibid., para. 5.

3(h) [Concerned at the difficulty of **mobilizing** financial resources which is a constraint on the industrialization of developing **countries;**] (Group B)

4. [Aware that in recent years the **process** of industrial development of the developing **countries** has suffered severely on account of their high foreign indebtedness, the burden of conditions attached to **external** financing and the increasing outflow of capital,] (Group of 77 and Group D)

5. [Considering that the payments to be made by developing countries should represent a reasonable percentage of their exports and be tolerable for their economies and industrialization,] (Group of 77)

6. Conscious that aid instruments should adapt to the changing needs of the developing **countries,**

7. [Conscious that the constant rise in interest rates has further increased the foreign debts of the developing countries, rendering the servicing of debts more difficult and reducing their prospects for obtaining further credit, and substantially inhibiting their industrialization process,] (Group of 77)

8. [Emphasizing that responsibility for the foreign debt problems should be shared by the debtor **countries** and by the lending **countries,** the international private **banking** community and the multilateral financing institutions,] (Group of 77)

9. [Recognizing that the international monetary and credit **systems** need to be reformed,] (Group of 77)

10. Recognizing the need for adequate financial **flows** for industrial development ,

11(a) [Stressing that **even though** mobilization of domestic resources in developing countries is of paramount importance, flows of external financial resources are vital in complementing and reinforcing domestic mobilization efforts,] (Group of 77)

11(b) [Stressing that mobilization of domestic **resources** in developing countries is of paramount importance and that flows of external financial resources are vital in complementing and reinforcing domestic mobilization efforts,] (Group B)

12(a) [Emphasizing the continuing **need** for official development assistance in providing effective basic infrastructure supportive of industrialization and direct support for industrial development, particularly in the least developed countries,] (Group B)

12(b) [Recalling General Assembly resolution **35/56** of 5 **December 1980,** containing the International Development Strategy for the Third United Nations Development Decade relating, inter alia, to bilateral official development assistance,] (Group of 77)

12(c) [**Reaffirming** the need for official development assistance to be increased urgently to the levels as committed in the International Development Strategy for the Third United Nations Development Decade, 3/ **inter alia**, for providing effective basic infrastructure to support industrialization and direct support for the industrial development of the developing countries.] (Group of 77)

12(d) [**Emphasizing** the continuing need for official development assistance in providing **direct** support for industrial development and related **basic** infrastructure to support industrialization.] (Group D)

13. **Stressin**; the important role of multilateral development institutions in **mobilizing** and providing financial resources from external sources, and **the** need to ensure adequate support for **those institutions**,

14. [**Mindful that** foreign direct investment can play a substantial role, in the framework of national policies and priorities of the developing **countries**, as an important **source** of external financing for industrial development, transfer of **technology**, managerial expertise and **the** development of export **markets**, and that the flow of investment to industrial projects in developing **count** (es depends, **inter alia**, on a stable **and** mutually beneficial framework for such investment.) (Group of 77 and Group D)

15. [**Aware that** a balanced approach to external financing of industry is considered necessary, including funding through official development assistance, other official **flows**, commercial **bank** lending and foreign direct investment.] (Group D)

16. [**Stressing** that additional and adequate external resources on affordable **terms** as well **as** internal resources should be mobilized in order to ensure an orderly and sustained revival of industrialization in **the** developing countries.] (Group of 77)

17. (**Aware** that, because of the close links existing **between** peace and development, it is of great importance for the world **community to work** ceaselessly to promote among nations peace, **security**, disarmament and co-operation, which are indispensable for the achievement of the goals of economic and social **development**, creating the conditions for real peace and security would permit an allocation of **resources to** social and economic rather than to military programmes, which would greatly help to attain the goals and objectives of the United Nations Industrial Development **Organization**.) (Group D)

18. [**Recognizing** the need for new international financing mechanisms to cater to the urgent needs of developing countries for financial resources for industrial **development**.] (Group of 77)

19. Also convinced that special attention and consideration should be given to the African region and to the least developed countries, **which have the** lowest level of industrialization,

20. Bearing in mind that **new** approaches are called for that encourage greater flow of investment in industrial **projects** in developing countries, [irrespective of their economic and social systems,] (Group of 77)

21. Drawing attention to **the need** for all countries to **make the most** effective **use** of financial resources **in industrial development,**

1. Urges urgent consideration, in appropriate forums, of **identified** issues of international concern, particularly to developing **countries**, with a view, inter alia, to **reviving the** industrialization process of developing countries in the context of overall **development, with due regard to the need** for consideration in **the** longer-term perspective;

2. Recommends that consideration be given to providing **adequate** financial support for the developing countries to **meet** their industrialization needs ;

3. Further recommends that international co-operation efforts be directed to **facilitating and channelling** [additional] (Group of 77) financial **resources** under (more) (Group of 77) favourable conditions to developing countries to meet their industrialization needs;

4. Recommends that, among possible **mechanisms** to facilitate further the **mobilization** of domestic savings and **the** flow of [foreign direct investment and other] (external financial **resources**), **both** public and private, for industrial **development, a stable and mutually beneficial framework** be fostered⁷

5. Invites member States to consider the promotion of agreements, including long-term agreements, in **the areas** of **co-production**, joint ventures, export-oriented activities **in the** field of manufactures and **the** incorporation of technology **through** licensing and engineering **contracts**)

6. Recommends developed countries to promote increased **investment in the** developing countries which so require it, in the sectors **which those countries** consider appropriate and for **the** benefit of their development)

7. [Calls upon member States to increase interregional trade in manufactured goods, **as well as to encourage** the establishment of **regional** multinational enterprises and facilitate technological co-operation)] (Group of 77)

8. Urges developed countries to implement their **commitments** on aid volume and modalities as made **when** adopting the International Development

Strategy and as reaffirmed at the sixth session of the **United Nations Conference on Trade and Development**; 4/

9. Urges donor countries to implement their commitments on aid volume and modalities as made when adopting the Substantial New Programme of Action for the **1980s** for the Least Developed Countries 5/ and **as reaffirmed at** the sixth session of the United Nations Conference **on Trade and Development**;

10. (Recommends that a more liberal attitude be adopted in providing quick **disbursal** of credits, and **development** assistance for Industrial programmes rather than on a project-by-project basis; to this end, multilateral financial institutions, particularly the World Bank Group, should take further appropriate measures;] (Group of 77)

11. (Calls upon member **States** to promote peace, co-operation and disarmament and thereby permit a **reallocation** of resources to social and economic development, including the promotion of the Industrial development of developing countries ;] (Group D)

12. Urges the international community, including the bilateral, multilateral and international institutions and organizations, to intensify their co-operation in the field of financial and technical assistance to the African countries and to the regional and subregions¹ financial and industrial development organizations, in the **mobilization** of the resources⁸ required for their industrial development and the **implementation** of the programme for the **Industrial Development Decade for Africa** ; 6/

13. Reaffirms that the Investment Promotion Services of the United Nations Industrial Development **Organization** should continue **to identify and** promote ways and means of **mobilizing** additional financial resources for industrial development, particularly in priority Industrial sectors **and sub-sectors** of the developing countries;

14. [Also reaffirms that **Consultations** at the global level may cover in particular:

(a) Issues related to the promotion and acceleration of the industrialisation of developing countries, as well as to the development of industrial co-operation of all **countries**;

4/ See Proceedings of the United **Nations Conference on Trade and Development, Sixth Session**, vol. I, Report and Annexes (United Nations publication, **Sales No. E.83.II.D.6**).

5/ Report of the United Nations Conference on the Least Developed Countries, Paris, 1-14 September 1981 (United Nations publication, Sales No. **E.82.I.8**), part one, sect. A.

6/ ID/287.

(b) Topics that are common to a number of industrial sectors;

15(a) Recalls that in respect of the work programme of the system of Consultations for the biennium 1984-1985 work on industrial financing should be pursued with regard to each sector in respect of which Consultations have been **scheduled;** (Group of 77)

15(b) [Also reaffirms that in the System of Consultations] work on industrial financing should be pursued with regard to each sector in respect of which Consultations have **been scheduled;** (Group B)

16. Requests the United Nations Industrial Development Organisation:

(a) To co-operate increasingly with the regional organisations and with **international** financial institutions, in particular the World Bank, in the pursuit of the **Organization's** activities, including the **mobilization** of financial resources for the industrial development of developing **countries;**

(b) To help prepare specific projects for consideration by multilateral development institutions for the industrial development of developing **countries;**

(c) [To continue to consider proposals on international financing mechanisms for industrial development;] (Group of 77)

(d) [To develop and implement a special programme of assistance to African countries and relevant intergovernmental organizations in mobilizing financial resources for the implementation of the programme for the Industrial Development Decade for Africa as well as the technical assistance programme for the implementation phase of the Decade;] (Group of 77)

(e) To continue to carry out its studies of the industrial investment requirements in selected developing countries;

(f) To assist developing countries, especially the least developed among them, in identifying and designing industrial projects within the framework of their national development objectives and priorities that will attract domestic and foreign resources, and in this context to continue and strengthen its work in preparing feasibility **studies;**

(g) [To give priority to its programmes aimed at helping developing countries improve their internal procedures for mobilizing domestic savings and encouraging private foreign and domestic investment;] (Group B) for industrial development; (Group B)

(h) To study relevant mechanisms used by developed and developing countries for mobilizing savings and utilising financial resources effectively and to provide information thereon to developing countries to assist them in their industrial development; in this regard, particular attention should be paid to financing for small and medium-sized industries.