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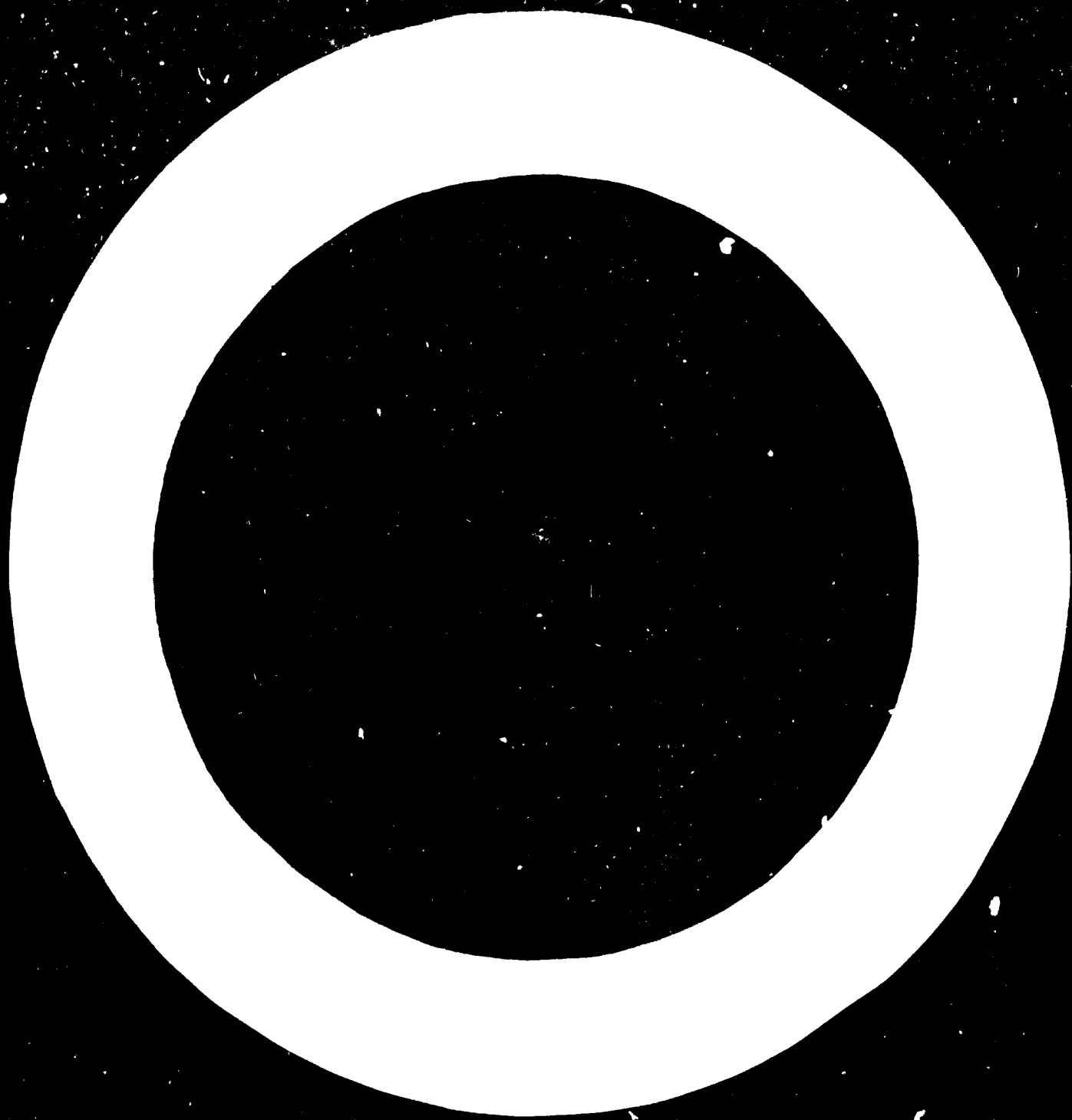
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Expert Group Meeting on the Development of Small-scale
Industries in Arab Countries of the Middle East
Beirut, Lebanon 11 - 16 November 1966.

Agenda item 8

FOSTERING
THE DEVELOPMENT OF SMALL-SCALE INDUSTRIES
THROUGH
A MULTINATIONAL CENTRE FOR INDUSTRIAL DEVELOPMENT

We regret that some of the pages in the microfiche copy of this report may not be up to the proper legibility standards, even though the best possible copy was used for preparing the master fiche.



I. Manufacturing Sector and Small-Scale Industry in the Development
Countries of the Middle East

1. The manufacturing sector as a whole still plays a modest role as a contributor to the national income of the developing countries of the Middle East. Income arising in the manufacturing industries sector of selected Middle East countries does not, on the average, exceed 14.3 per cent of GDP, while the corresponding figures for other developed and developing countries were estimated to range between 20 and 40 per cent. The still limited size of the industrial sector in these countries becomes obvious when it is observed that the percentage of the active labour force engaged in industry in most countries of the Middle East remains low, varying between five and eight per cent.

2. In the developing countries of the Middle East, no less than elsewhere in the developing world, importance is being attached to problems of industrial development within the framework of development strategies. Industrial development is regarded as the most dynamic factor in the process of economic growth. It is expected to make a major contribution to the process of economic diversification and is considered as a particularly effective means of acquiring modern technology in conjunction with the development of new resources. In recent years Governments have become acutely aware that industry not only exerts a direct influence on the level of income and an indirect influence on the levels of economic activity in other sectors, but also affects deeply the social and cultural life of society, causing a break-away from traditional methods of production and modes of living.

3. Characteristic of the early stage of industrial development in the countries in question is the fact that, within the manufacturing sector itself, small-scale industries loom very large in importance.

Main indicators of manufacturing industries
engaging less than 50 persons in selected
countries in the Middle East

(as a per cent of total)

	Iraq (1963)	Jordan (1965)	Kuwait (1965)	Lebanon (1964)	Saudi Arabia (1963/65)	Syria (1960/ 63)
Number of establishments	98.7	99.3	97.8	97.9	99.6	99.7
Number of persons engaged	49.4	80.3	54.3	65.7	84.2	...
Wages paid	30.6	60.2	...	40.2
Value of output	39.5	55.9	...	41.7
Value added	...	54.0	...	43.4

Source: National and international sources.

4. The table given above shows that manufacturing establishments engaging 49 persons or less are important in terms of both the number of establishments and the number of persons engaged as well as in terms of their contribution to wages, output and value added. It is safe to assume that, to a large extent, industrial development is contingent upon the sound growth of these industries.

II. Chronology of Related Institutional Developments

5. The growing awareness in the Middle East of the importance of industrial development and, in particular, of the role that small-scale industries can play in it, has prompted initiatives aimed at improving the institutional framework for such development.

6. At the national level, an Industry Institute has been in existence for fifteen years in Lebanon, which provides advisory services in industrial research and development on a consultancy basis at the request of governments or private enterprises, both in Lebanon and abroad. In 1965, the Government of Saudi Arabia established in Riyadh an "Industrial Studies and Development Centre" and in 1967, the Government of Jordan established in Amman a "Centre for Industrial Development". These two Centres have begun functioning with the support of the United Nations Development Programme, which is providing US\$ 634,500 for the Centre in Riyadh, out of a total project cost of US\$ 2,634,500 over a period of three years, and US\$ 1,153,000 for the Centre in Amman over a period of five years.

7. At the multinational level, the Conference on Industrial Development in the Arab States, held in Kuwait from 1 to 10 March 1966 and attended by thirteen Arab countries and various Arab and international organizations, adopted inter alia Recommendation No. 60 aiming at the

establishment of a centre for industrial development.¹⁾ The final report of the Kuwait Conference also emphasized co-operation among the Arab States in the field of industrial development and suggested broad guidelines for the activities of the proposed centre, especially in the area of collective research on problems of industrial production, organization, integration and marketing. Similar recommendations were adopted by the International Symposium on Industrial Development which was held in Athens in December 1967.²⁾

1) Recommendation No. 60 states: "The Conference recommends to Arab States the establishment of a Centre for Industrial Development, with a view to accelerating industrialization, developing industry and co-ordinating effort in this field. The functions of this centre will be to:

- a) undertake and support studies and research pertaining to the position and development of industrialization in the Arab States;
- b) offer advisory services and technical aid to the Arab States in the field of industrial development and industrial planning, and in the general support of industrialization;
- c) co-ordinate efforts in the field of industrial development in the Arab States by way of exchanging information and experience and by standardizing industrial classification and terminology;
- d) establish, co-ordinate and help executing research and training programme on an Arab regional basis.

The Conference also recommends to the United Nations and its Specialized Agencies, particularly the Centre for Industrial Development (now the United Nations Industrial Development Organization) and the regional organizations, to co-operate with the Arab States and assist in the creation and operation of this centre, taking into consideration the regional centres already existing in the Arab States or proposed for establishment in the future".

2) Report of the International Symposium on Industrial Development, held in Athens 29 November - 19 December 1967, No. ID/B/21 (ID/CONF.1/62) dated 2 February, 1968: recommendations contained in Section IV entitled "Final Act of the Plenary".

8. A Consultative Group Meeting on Industrial Estates and Industrial Areas held in Beirut from 31 October to 5 November 1966, referred to the above mentioned recommendation of the Kuwait Conference and emphasized the advantages which might be derived from the setting up of a multinational centre for industrial development, with special reference to small-scale industries.³⁾

9. In May 1968, the Economic Council of the League of Arab States decided that a Centre for Industrial Development should be established under its auspices. The main features of this Centre, which were prepared by the Arab League Secretariat and approved by the Arab Economic Council, are summarized in the Annex. These are set against the corresponding provisions of the plan of operations of a similar venture undertaken co-operatively by four Arab countries (Algeria, Libya, Morocco and Tunisia) with assistance from the United Nations Development Programme in the amount of some \$1.5 million out of a total project cost of approximately \$2.5 million over a period of five years of operation.

III. Fostering the Development of Small-Scale Industries through a Multinational Centre for Industrial Development

10. Any Centre for industrial development in the Middle East should devote a great deal of attention to the development and growth of small-scale industries. Indeed, the question may be raised as to whether it is preferable to have a centre for industrial development devoted to the promotion of large scale industry, with a special division or department concerned with small-scale industry, or the reverse, where the situation

3) Industrial Estates in Europe and the Middle East.
United Nations Publication, Sales No. E.68.II.B.11, p.62

does not seem to justify a dichotomy and the setting of separate institutions whose activities would have to be closely co-ordinated. In any case, the multinational approach has the merit of permitting not only the pooling of scarce financial resources and expertise but also the provision of perspective and assistance to national centres or authorities concerned with industrial development at the policy or at the plant level. And a multinational centre conceivably can be established by enlarging the sponsorship and scope of operations of a national centre instead of being created ex nihilo.

11. The functions of a multinational centre for industrial development including that of small-scale industry can be conceived as follows:

Technical co-operation: upon request of the participating countries, the centre might be expected to provide advisory services at the national, sub-national or sectoral level, concentrating on the following problem areas:

- a) stimulation of entrepreneurship and assistance to prospective entrepreneurs at the pre-investment stage;
- b) formulation and implementation of schemes for financing the procurement of machinery, insurance and guarantee schemes, etc.;
- c) provision of fiscal and tariff incentives, concessions on freight and utility rates, preferential allocation of scarce raw materials, etc.;
- d) organization of extension services for technical, managerial and marketing assistance;
- e) planning, construction and operation of industrial estates and common services facilities;

- f) conducting technical research aimed at improving the products of small-scale industries, and provision of assistance to those industries for applying standardization and technical specifications;
- g) organization and operation of training facilities for managers, foremen and workers;
- h) promotion of sub-contracting relationships between small and large industries;
- i) formulation and implementation of government procurement schemes;
- j) conducting export market research;
- k) development of procedures, systems and organizations for the formulation, execution, supervision and follow-up of programmes and projects;
- l) preparation of comparative studies;
- m) formulation and implementation of co-ordination policies.

Training: Training of managers, foremen and workers must be provided at the plant or national level. A multinational centre, however, could train government officials and officers of industrial development corporations and industrial banks, extension centres, industrial estate authorities and other senior personnel dealing with the formulation, execution, supervision and follow up of policies, programmes and major projects. This training could take several forms: a) in-service training under the centre's supervision; b) training at the centre or at another institution co-operating with the centre; and c) study tours and training at industrial extension agencies and industrial estates within or without the region.

Economic research: with special reference to small-scale industries a multinational centre should undertake action-oriented research on the needs for, and conditions of, industrial sub-sector development, especially on the prospects of developing small-scale industries in each industrial sub-sector. This would include surveys to be undertaken by the centre in co-operation with the countries concerned, with a view to assisting in the preparation, at a later stage, of detailed project feasibility and pre-investment studies by the national agencies concerned. In the initial stage of the centre's operation, economic research might usefully concentrate on the analysis and diagnosis of selected industrial sectors or problems in the countries concerned. The aim should be to formulate sectoral development strategies within the industrial development programmes of the countries concerned and to define the policies and measures best suited to the circumstances, such as the creation of industrial estates, the establishment of training centres and other facilities for the benefit of small-scale industries, wherever appropriate. Subsequently, the centre might undertake studies on the co-ordination or harmonization of national industrial development programmes, possibly sub-sector by sub-sector, with a view to promoting co-operation for overcoming the narrowness of national markets.

Dissemination of information: research studies of general interest prepared by the centre might usefully be given wide international distribution. Also the centre might collect information on economic, technical, legal and other aspects of industrial development for making it available to interested parties through bulletins, newsletters or other means, as part of its technical co-operation activities. It might also be within

the functions of the centre to encourage the exchange of experience between units and persons, especially public administrators and directors of financial, developmental or technical assistance institutions concerned through the holding of seminars and meetings on specific topics such as industrial financing, technical advisory services, regional programming, marketing, taxation, etc.,

Co-ordination: a multinational centre should act as a clearing house and liaison agents promoting the establishment of relations among industrial development institutions within and without the region for the purpose of co-ordinating studies and research, thereby fostering the effective utilization of available resources and helping to minimize duplication of effort and initiative.

12. The organizational structure corresponding to these functions can be conceived as consisting of four units as follows:

a) A Technical Co-operation Unit responsible for co-ordinating all activities related to the provision of technical assistance to the participating countries. This unit should include expert and counterpart personnel specialized in the organization of industrial extension services and the formulation and execution of marketing and credit programmes, paying special attention to industrial estate projects where industrialists may enjoy various incentives. This unit should also be responsible for co-ordinating substantive services provided by the economic research unit or the training unit. In the first few years of operation, however, the staff of the centre should not include specialists in distinct technological fields. Technological advisers serving in the participating countries under various technical assistance schemes could be reverted to for tackling specific technological problems. The centre would assist countries, in identifying those sectors in which technical advice and

technical know-how are needed and in formulating specific requests for obtaining corresponding advisory services through existing programmes of technical co-operation;

b) A Training Unit responsible for all the training programmes, including the preparation of training material;

c) An Economic Research Unit responsible for the carrying out of the research needed to backstop the provision of advisory services, for the collection and analysis of industrial statistics and other basic data of regional interest indispensable to national authorities for preparing feasibility studies of specific projects. Such basic information and data may include prices of plants and machinery, prices and types of raw materials or semi-finished inputs and identify possible markets for the export of end-products;

d) An Information Unit responsible for (i) preparing and distributing publications, studies, digests and material which may be of value to small-scale industrialists; (ii) operating a question and answer service related to technological, managerial and commercial queries from participating countries of the region.

ANNEX

**Main Features of the Centre for Industrial Studies for the
Maghreb assisted by the United Nations Development Programme (UNDP)
and of the Centre for Industrial Development being established
by the League of Arab States**

Centre for the Maghreb

- A. Number of countries served 4 countries
- B. Financing
1. UNDP allocation
- | | |
|---------------------|----------------|
| Total (for 5 years) | US\$ 1,454,900 |
| Average per year | US\$ 290,980 |
2. Allocation by the participating governments
- | | |
|------------------|----------------|
| (for 5 years) | US\$ 1,040,000 |
| Average per year | US\$ 208,000 |
3. Total cost of project
- | | |
|---------------|----------------|
| (for 5 years) | US\$ 2,494,900 |
|---------------|----------------|
4. Total cost of project
- | | |
|--------------------|--------------|
| (average per year) | US\$ 498,980 |
|--------------------|--------------|
- C. Terms of reference
1. Provide advisory services to governments and industries.
 2. Train Government officials at the cost of Governments

Centre of the League of Arab States

A. Number of countries serviced 13 countries

B. Financing

1. Total allocations by the
participating governments

per year

US\$ 92,000
(LE 40,000)

plus

Fixed assets in the form of
buildings, land and furniture
to be contributed by the Govern-
ment of the host country to the
centre

C. Terms of reference

1. Study existing or proposed plans and programmes of economic development in general and industrial development in particular with a view to co-ordinating these plans;
2. Provide advisory services and technical assistance to participating governments in the field of industrial development for the co-ordination and growth of industry on the basis of existing plans;

Centre for the Maghreb

C. Terms of reference (continued)

3. Prepare general industrialization surveys and specific feasibility studies, including market and location surveys, as well as studies on the integration of national industries and on comparative manufacturing and import costs;
4. Study standardization and quality control problems;

Centre of the League of Arab States

C. Terms of reference (continued)

3. Assist the participating governments individually or collectively for drawing up a framework to be used as a means for guiding them when preparing their industrial plans;
4. Standardize planning definitions, terminology and statistics;
5. Standardize the bases for the study of industrial development projects in the participating countries and laying down of the bases for establishing priorities among the various projects in each country;
6. Standardize national accounts and industrial cost accounting methods and preparation of standard forms to guide participating countries;
7. Provide guidelines for the setting up of industries in locations most beneficial from the point of view of common interest taking into consideration the interest of each government on the basis of studies pertaining to the coordination of industries in the participating countries;
8. Study combined projects (between two or more participating countries) and provide guidelines for the financing and execution of these projects and the marketing of their products;

Centre for the Maghreb

C. Terms of reference (continued)

5. Disseminate information and data obtained in the course of the work of the Centre as well as of relevant international studies and publications;

6. Co-operate with the ministries of the Maghreb countries and with national agencies concerned with industrial development;

Centre of the League of Arab States

C. Terms of reference (continued)

9. Study industrial development problems in general in the participating countries and of the problems of financing and marketing in particular and provision of guidelines for solving these problems;
10. Study standardization of products and coordination with organizations for standards and specifications;
11. Assist participating governments in the evaluation of existing or proposed industrial projects from the technical and economic point of view;
12. Create means of exchanging information pertaining to planning, statistics and scientific research among the participating governments;
13. Collect and disseminate scientific information and research in economic and industrial planning and statistics with a view to forming planning-machinery in the participating countries;
14. Publish periodic and non-periodic scientific documents containing the results of research and studies undertaken by experts in industrial development, planning and statistics in the participating countries;
15. Co-operate with industrial research centres in the participating countries and with other regional or international research centres working in the field of industrial development;

Centre for the Maghreb

C. Terms of reference (continued)

7. Other features:

- a) Co-ordinate the Centre's activities in the field of industrial development with those undertaken by the United Nations Economic Commission for Africa;
- b) Establish a system of periodic consultations with the ministries and agencies of the Maghreb countries with the purpose of exchanging views regarding their respective work programmes;

8. Status of the Centre

The Centre is an autonomous body.

Centre of the League of Arab States

C. Terms of reference (continued)

16. Organize scientific conferences with a view to studying various aspects and problems of industrial development in cooperation with planning experts and planning machinery in the participating countries;
17. Co-operate with training institutions existing in the participating countries, other international organizations and bodies, devise with these institutions training programmes to serve the objectives of industrial development and suggest the establishment of new training institutions;
18. Facilitate the exchange of experts in the field of industrial development, planning and statistics between specialized agencies in the participating countries.

Centre for the Maghreb

D. Technical and Administrative Organization

1. UNDP contribution

<u>a) International experts</u>	<u>Five year period</u>		
i) Industrial economist (project manager)	60	man-months	
ii) Market survey and marketing expert	60	"	"
iii) Industrial engineer	60	"	"
iv) Industrial standard- ization engineer	48	"	"
v) Information and documen- tation specialist	48	"	"
vi) Short-term consultants specialized in indus- trial fields	216	"	"
	<hr/>		
Total	492		

b) Fellowships

Industrial engineering, me- chanical engineering, in- dustrial economics and market research	120	"	"
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c) Equipment

Library and technical materials, etc.	US\$ 50,000
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d) <u>Sub-contracts</u>	US\$150,000
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Centre of the League of Arab States

D. Technical and Administrative Organization

<u>1. Professional staff</u>	<u>Per year</u>
a) Director-general	12 man-months
b) Directors for	
i) Economic and planning affairs	12 " "
ii) Engineering affairs	12 " "
iii) Administrative and financial affairs	12 " "
c) Specialized staff	
i) Economics	12 " "
ii) Engineering	12 " "
iii) Administration and finance	12 " "

Centre for the Maghreb

D. Technical and Administrative Organization (continued)

2. Allocation from the participating governments

<u>a) Counterpart personnel</u>	<u>Five-year period</u>
i) Director of Centre	60 man-months
ii) Industrial economists and engineers	360 " "
iii) Technical documenta- tion specialist	60 " "

b) Administrative staff

Total (Administration, ac-
counting, clerical,
secretarial, drivers,
messengers and translators) 1,500

Centre of the League of Arab States

D. Technical and Administrative Organization

2. Non-professional staff
Accounting, library,
clerical, etc.

132 " "

3. Specialized experts

To be determined on the
basis of an allocation
of US\$ 12,850 (LE5,600)
per year.





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