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201581

Distr.
LIMITED
ID/WG.61/DP.9
28 September 1970
ENGLISH
Original: French

United Nations Industrial Development Organization

Seminar on the Organization and Administration of
Industrial Services (for Asia and the Middle East)

Tashkent, USSR, 12 - 26 October 1970

CO-ORDINATION OF ACTIVITIES BETWEEN THE PUBLIC
AND PRIVATE SECTORS OF INDUSTRY AND BETWEEN THE
VARIOUS INDUSTRIAL SERVICES IN DEVELOPING COUNTRIES ✓

by

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✓ The views and opinions expressed in this paper are those of the author and do not necessarily reflect the views of the secretariat of UNIDO.

id.70-5120

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I. INTRODUCTION

1. Among the developing countries, there are those which consider that the establishment of manufacturing industries should be the affair of private enterprise, once the necessary infrastructure has been established by the public authorities. This view is held only by a minority, however: most States base their development policy on a mixed economy, within which the respective roles of the public and private sectors may, however, vary considerably.

2. The aim of development is to transform the life and standard of living of the population concerned by accelerating the process of economic growth, which must be rendered self-sustaining as quickly as possible: it follows from this that the best possible utilization of scarce production factors is an essential element in the strategy to be used. The considerations motivating participation by private entrepreneurs in this process are very different from the concerns motivating those responsible for the public sector, however, and if these two approaches are given free rein this will tend to make the sought-for optimum solution harder to achieve: a problem of orientation and co-ordination thus arises. The harmonization process thus made necessary must be applied not only to the activities of the enterprises themselves, but also to the various means which are available for promoting and encouraging industrial development: that is to say, to the industrial services.

3. There are three parties to this process: the State, the public sector and the private sector, and the co-ordination of activities is thus obviously a complex matter, since it must lead to the harmonization and definition of the respective roles and responsibilities of each party. It is therefore not just a question of the relationship between the public sector and the private sector, but also of the relationship between the State and the public sector and the State and the private sector. Moreover, each of these three apparent entities is actually made up of a number of smaller units such as departments, services, enterprises, etc., whose reactions may vary, so that further problems - those of internal co-ordination - must be overcome in order to ensure that each party effectively plays his role.

II. THE NEED FOR CO-ORDINATION IN ORDER TO AVOID DUPLICATION OF EFFORT

4. The State, as the guardian of the national interest, is responsible for defining the future which is considered most desirable for the country, evaluating the nature and magnitude of the means through which this future can be prepared, and taking care of their application. The private sector, for its part, is concerned above all with achieving the best possible profitability in its affairs, so that the criteria which it uses in making choices correspond only fortuitously with those used for arriving at decisions concerning the public interest: there is thus a possibility of wastage of scarce factors which may be allotted to operations of little general interest, combined in a manner which is not advantageous from the point of view of the public at large, or allotted to units of inadequate scale. In order to influence the decisions of the private sector and to supplement its action in neglected branches, the State uses a whole range of enterprises in which it retains some rights of supervision: nationalized companies (directed by a Government department and applying the rules of public law), State-owned companies (which have their own legal status, enjoy a certain measure of independence, and apply the rules of private law), and mixed public/private companies.

5. At this point, further possibilities of wastage arise inasmuch as the intentions of the public and private sectors may not be clear or may not be clearly perceived by the other parties. The projects envisaged by the various parties may be complementary at one level or another, but what will happen if this complementarity is simultaneously seen by the private promoter from the point of view of the future extension of his activities, on which he is basing his calculations of profitability, while the public sector sees it from the point of view of developing a sector which is at present neglected? Moreover, the projects envisaged may also be competitive, and what will happen if the projects in a given branch, taken together, exceed the market possibilities?

A. The public authorities

6. At the head of industrial development stands the State, which fixes the framework and rules for such development and decides on priorities, incentives and measures of compulsion. The State is not a single entity, however, being made up of ministries and

departments which pursue divergent objectives, often in the most serene ignorance of each other's activities. The first co-ordination measure must thus be applied to the public authorities themselves, so that a single industrial policy may be put into effect at all levels. This may involve far-reaching action, as it is not sufficient simply to decide on the content of the industrial policy; it is also necessary to:

- Make sure that this policy effectively guides the practical day-to-day executive decisions;
- Remember that in its day-to-day operation the State introduces disturbing elements whose importance is not appreciated until later (delays in the granting of import licences, delays in the allocation of foreign exchange, etc. ...).

7. The establishment of an inter-ministerial industrialization committee, the placing of restrictions on the proliferation of the activities of departments in the field of industry, the designation of a minister entrusted with overall responsibility for industrialisation matters, the definition of areas of competence in matters of technical supervision, and the issuing of orders that independent promotion bodies must follow an inter-ministerial policy are solutions which have already been tried in many States. The division of tasks between the planning body and the Ministry of Industry must, in particular, be very clearly defined if overlapping and conflicts of competence are to be avoided:

- The planning body should be responsible for deciding on the location of industry and the means and policy for industrial development, for these questions go beyond the question of industrialization as such and concern finance, agriculture, public works, etc.
- The Ministry of Industry should be responsible for the application of the overall policies decided upon.

B. Relations between the State and the State-owned or mixed sector of industry

8. As it is set up in order to promote the application of the industrial policy decided upon by the government authorities, the State sector must consequently remain faithful to the implications of this policy, but as it is working in a field where

initiative plays a considerable role, the subordination of this sector to the wishes of the State should not be reflected in a total lack of initiative, and the degree of independence should become increasingly marked as one progresses from nationalized companies, through State-owned companies, to mixed public/private companies.

9. In order to avoid the possibility that companies in which the State has a major interest may take divergent directions, some States have had a tendency to group these companies into holding companies, the most highly-developed example of which is the IRI holding company in Italy. This method is worthy of attention, and its advantages should be evaluated while bearing in mind its major inconvenience of increasing the economic weight of the body and thus giving it a tendency towards self-determination free of any control.

10. The State is faced with two alternatives regarding its public industrial sector because of the more or less satisfactory balance that must be established between independence and control: either there is a tendency to escape from all controls and the enterprises build up a whole system of means of exerting pressure in order to influence the policy laid down for them, or else there is a tendency, as the result of excessively strict and heavy controls, for enterprises to adopt too passive an attitude and to expect the administration to decide everything for them.

C. The attitude of the State to industrial services

11. The risk of duplication and waste, which is serious at the production level, is accompanied by a similar risk at the industrial services level. Regardless of whether they belong to the public or private sector, enterprises must constantly resort to various economic, technical, financial, human and other supporting facilities, but generally speaking they cannot, from their own resources, set up all the services which they need. In order to overcome this difficulty, measures must be taken, within the administration and the public and private sectors, to establish various institutions designed to provide enterprises with the services which they cannot arrange for themselves. It is therefore by no means impossible that, because of lack of sufficient information, or else deliberately, some of these institutions may to some extent compete with each other, direct their efforts along divergent lines, or enter sectors already covered by enterprises themselves; indeed, if the institutions are dynamic

their own activities will tend to lead them into these errors, as industrial problems are all inter-connected and the solution of one problem tends to raise another problem which each institution naturally wishes to solve within the framework of its own activities.

12. The public authorities enter into the industrialization process in two respects:
- (a) In organising and supervising the framework for development; and
 - (b) In promoting and stimulating development, in which function they also have a role to play in the establishment of the desirable industrial services.

These two objectives call for different aptitudes and methods, however, and this is the explanation of the uncertainty which is to be observed more or less everywhere regarding the way in which that part of the administration concerned with industrialisation should be organized. Sometimes, the Minister of Industry takes on this double responsibility himself, although this case is not very frequent; more usually a specific industrial promotion body is established to provide part of the industrial services expected from the State, the other part being provided by the various other ministries concerned in industrial development. In this complex whole, some functions may overlap with each other and with other activities being carried on by non-government bodies (especially in such fields as research, laboratory testing, standardisation, etc.).

13. A first opportune measure by the public authorities, to be taken in consultation with public and private users, could therefore be to make a census of requirements and existing facilities, to review the responsibilities of each body, and to prune away certain specialised activities which could probably gain from being entrusted to special technical services or reserved for private bodies.

III. WAYS AND MEANS OF ESTABLISHING CHANNELS OF COMMUNICATION BETWEEN THE PUBLIC SECTOR AND THE PRIVATE SECTOR

14. The State's duty to carry out orientation and supervision activities becomes clear when it is a question of executing industrialization projects which have been envisaged for the optimum development of the country. In a nation with a mixed

economy, the public and private industrial sectors, if left to themselves, soon display a tendency to become anarchically competitive and no longer complementary, and this unwanted competition (for sometimes competition is deliberately fostered in certain branches) results in bad utilisation of production factors, the creation of excess capacity, and under-development of certain sectors.

A. Definition of framework of action

15. Such behaviour by the public and private sectors results as much from lack of knowledge of the objectives sought by the nation and by the industrialisation policy laid down by the public authorities as from a deliberate desire to act otherwise, encouraged by weakness of State control. The first measure to harmonise the two sectors should therefore consist of a precise definition of the "rules of the game"; the State must indicate clearly the shares which it intends to reserve for the public sector and private sector, respectively, and it must indicate in what fields and within what limits private initiatives will be accepted and even encouraged.
16. In its definition of the "rules of the game", the State must avoid the serious mistake of trying to tackle too many fields at once. A State which wants to run everything will be tempted to cause the public sector to occupy places normally entrusted to the private sector: because of lack of suitable facilities the public sector will occupy these places badly and the confidence of private investors will be undermined. On the other hand, it is perfectly in order for the State to step in where private initiative is lacking, perhaps subsequently handing its achievements over to private interests (once profitability has been demonstrated. Likewise, in the field of supplying industrial services, the State is often ill-equipped to provide facilities which could perfectly well be obtained from the public or private industrial sector, if necessary by providing suitable incentives. Services such as standardisation, fairs and exhibitions, etc., will be provided just as effectively, if not more so, by industrial firms having an interest in the matter. Professional associations have a role to play in improving productivity and industrial management, in preparing feasibility studies, in determining the prices of manufactured goods, defining industrial property, etc. At no time, however, should the State abandon its duties of ensuring orientation and supervision.

17. The development plan has an essential role to play in laying down the priorities which must be respected in effecting industrialization and it must also specify the respective fields of the public and private sectors. The general industrial development plan (which defines the place of the industry), the resources to be allotted to it and the industrial development policy to be followed) and the sectoral industrial development plan (which implements the decisions set out in their main lines in the general plan) provide a co-ordinated view of prospects and problems and enable the fields and importance of the most interesting projects to be defined, at any rate in so far as the plan is adhered to.

B. Prior consultation

18. In working out their national development plans and industrial programmes, it is in the interest of governments to consult as much as possible the State or private industries which may be involved in these programmes, as well as the industrial services. Many countries do this through sectoral planning committees made up of representatives of the Government, individual specialists, representatives of the public and private manufacturing sectors, trade union representatives and sometimes consumers' representatives. This formula has many advantages, for it enables all the participants to gain a precise idea of the point of view of all those concerned and of the problems which have to be solved. In addition, it provides an opportunity for detailed discussions which leave no point untouched, it results in the taking of decisions which have a real chance of being applied, and it makes it possible to induce the private sector to participate more closely in industrial development and at the same time to establish objectives in accordance with national needs.

19. This dialogue and this effective prior consultation, which is begun in sectoral planning committees, must be organized so as to bring together public and private enterprises in the sector or branch concerned, on a permanent basis, through the plan, through social and professional bodies, or in any other suitable manner. Only then will each sector be kept informed of the intentions of other sectors and be enabled to discuss matters with those sectors in order to reach a common viewpoint; the State will then be placed in a position where it can fully utilise the capacity of the productive systems and can replace sterile competition with a policy of co-ordination, co-operation and complementation between the public and private sectors, within the framework of the fundamental decisions taken regarding economic policy.

20. Among useful means for insuring this communication between the public and private sectors are:

- Suitable representation of workers and industrialists on the boards of industrial development organizations or departments;
- Short seminars on specific branches of industry or specific problems, at which representatives of the public authorities and the public and private sectors can freely exchange their views, subjects of concern and items of information in and out of the meetings.

21. The definition of the framework for action and the objectives to be sought will also make it possible to clarify the nature and size of the industrial services whose establishment would facilitate the execution of the industrial development plan. By being brought together, all those concerned will have been made aware of the objectives sought, the obstacles which must be surmounted and the means to be used: the division of services between the State, the public sector and the private sector will thus be more easily accepted and respected, and many possible cases of unsuitability, under-utilization, inadequacy, competition or duplication of such services will be avoided.

C. The internal organization of the private sector

22. If it is desired to achieve co-operation between the two sectors, this must be achieved through preliminary harmonization within each sector. It may be taken for granted that State enterprises or mixed public/private enterprises will be co-ordinated with each other because of the public authorities' right to supervise their activities, but on the other hand it is by no means certain that, without adequate organization, the enterprises in the private sector will adopt a common point of view. This is why bodies such as chambers of industry, trade unions, professional associations, etc., are so important.

23. These bodies are not necessarily important only to enterprises in the private sector, for enterprises in the public sector can also frequently benefit from them. They thus form an additional place where information can be exchanged, discussions can be carried on and harmonization between the two sectors effected.

24. The State will certainly wish to emphasize the importance of the organized private sector in the industrialization process, and in addition to the need to bring the public authorities and the private organizations together in the provision of industrial services it can usefully cause the latter organizations to participate in industrial planning and other connected activities. The State's benevolent attitude to the industrial services of the private sector can be displayed, for example, by granting fiscal or financial advantages, applying suitable legal or legislative measures, taking care of the training of personnel from the private sector, using the private sector services to meet the needs of the State and State enterprises, and any other appropriate measures of encouragement.

IV. SUITABLE MEASURES FOR ACHIEVING THE CO-ORDINATION WHICH IS DESIRABLE BETWEEN THE INSTITUTIONS PROVIDING INDUSTRIAL SERVICES

25. Whatever the system adopted by the public authorities for defining, orienting, promoting and supervising industrial development, industrial services are provided primarily by a number of more or less independent individual units. Broadly speaking, the functions carried out by these institutions concern such matters as the execution of studies, location of investors, opening up markets, providing assistance to enterprises, financing and training. Depending on the economic system, these institutions are generally public, private or mixed, but certain services can only be provided by the State, while others can only be provided by the private sector. If there is not sufficient collaboration between these various institutions themselves and between the institutions and the users, it is by no means rare to see the same problem tackled in several different places in different and sometimes even opposing ways, resulting in reduced effectiveness and waste of effort and resources. There are thus problems of liaison and co-ordination:

- Between the State or its industrial promotion body and the various other bodies which provide industrial services;
- Between these bodies providing industrial services themselves;
- Between these bodies providing services and the public and private industrial sectors using the services.

A. General co-ordination measures

26. Increase in the number of bodies providing industrial services undoubtedly increases the risk of overlapping of competence and duplication of effort. There is therefore much to be said for grouping together, as far as possible, those services which can be placed under common direction, without, however, preventing each service from retaining its own individuality within a single general framework. If such grouping is properly carried out, the services will all be impelled by the same basic objectives, exchanges of views and information will be facilitated, and economies in overall costs and in the use of scarce qualified personnel will result.

27. In the case of many services which can only be provided by the State, unified supervision by a single ministry or by the industrial promotion body will facilitate co-ordination, particularly if the supervising ministry or body places within each service a superintendent, inspector or commissioner who will thus have a complete view from within of the functioning and orientation of the service and can provide the supervising body with a complete and continuous picture of the situation, enabling it to correct faulty trends and possible overlapping.

28. Some services provided by the State will escape from this unified supervision, exercised in principle by the Ministry of Industry or the industrial promotion body, either because their activities naturally cause them to be attached to another ministry or because political influences and the wishes of powerful ministers (especially the Minister of Finance) bring about their attachment - perhaps without full justification - to another ministry. On the other hand, some industrial services are provided totally or partly by industrial sectors and enterprises. In this case, it is important to establish a means of co-ordination in order to harmonise the activities of such services so as to avoid scattering of responsibilities and overlapping of respective fields of competence. Several systems may be envisaged, such as the appointment of an inter-institutional co-ordinator, the convening of an advisory committee, etc. Whatever the system adopted, mutual knowledge of requirements and activities will be an important factor in harmonization. Waste and overlapping is more often due to ignorance than to deliberate unwillingness, and even unwillingness becomes hard to maintain when it is shown up by exchanges of views.

29. Participation by representatives of the public and private industrial sectors in this co-ordination process will have the advantage of enabling them to state their needs, thus saving the service institutions from having to define their tasks alone.

B. The industrial promotion body

30. In some States the Minister of Industry retains responsibility for the promotion and stimulation of development himself, although industrial promotion - particularly when it concerns the private sector - raises special problems which call for quick decisions freed from all routine features and from all types of excessive political interference. It is thus advantageous for there to be a certain degree of independence.

31. Other States, which are in the majority, have set up institutions specially to take care of industrial promotion, leaving organisational functions to the Ministry of Industry. Depending on the particular cases, these institutions may be public institutions attached to the Ministry of Industry or independent institutions. Many arguments can be put forward in favour of the establishment of a highly-specialised independent development body grouping together the various advisory services, including the following considerations:

- By having nothing to do with the functions of organization and supervision, the institution will win the confidence of industrialists and entrepreneurs;
- The head of such an institution becomes an important personage, placed directly under the authority of the head of government, and is responsible for the following activities:
 - Implementing the industrial development plan developed and approved by the competent authorities;
 - Granting preferential conditions designed to stimulate new or incipient industries;
 - Assuming general responsibility for industries belonging to the State; and
 - Providing support for industrial development projects.

- In some cases a board is placed at the head of such a body for the purpose of taking decisions: the composition of such a board (ministers from all the departments concerned, representatives of professional groupings, banking establishments, trade unions, etc.) can strengthen the cohesion of those responsible for promoting industrial development, facilitate exchanges of information, and foster co-ordination.

32. Despite these advantages, several objections have been raised against the system of independent bodies:

- The Minister of Industry must remain responsible for industrial development, and the establishment of an additional body introduces a factor of confusion which may give rise to duplication of effort and impose additional cost and personnel burdens;
- The establishment of an independent body in the industrial sector may encourage the setting-up of similar bodies in other sectors, with the result that the entire State structure will be duplicated and there will be fragmentation of responsibilities. In the view of those making this criticism, it is the apparatus of the State and the public services which should be adapted to the needs of industrialization.

33. Two questions arise when an independent body is set up:

- To what extent will the body be subordinate to the Ministry of Industry, and what will be the nature of the relationship between it and the Ministry?
- How will the specialized units which this body will have to set up in order to provide the various services expected from it be administered?

No universally valid answer can be given to these questions, for the problem raised here is the problem of independence as against supervision already raised previously in connexion with the public sector; only analysis of the actual situation in each country will make it possible to determine just how far it is possible to go in one direction or the other while keeping intact the promotional body's powers of orientation and co-ordination.

C. Other industrial services

34. Industrial research is a strategic element in the growth of industrial activity: it is not simply connected with technical or scientific problems (inventories, utilization of local resources, studies of new techniques or new methods of utilization), but also other services such as testing, quality control, establishing specifications, selecting equipment, standardization, surveys and statistical work, market studies, management and productivity studies, etc. Some of these activities are carried on partly by other bodies supplying different industrial services. Research institutes, which carry on part of this research, may be:

- Units belonging to an administrative department;
- Semi-independent bodies attached to a university or a government department;
- Private non-profit making institutions;
- A technical instrument operated by industrial associations.

In all cases, it should be decided what degree of independence is best for the effectiveness of such institutes. Proper control by the supervisory body facilitates the planning of the programme of work in the light of the national development programme and the allocation of resources to priority programmes. A greater degree of independence avoids political interference and excessively rigid regulation, promotes initiative, and encourages the association of industrial enterprises with the activities of the institute.

35. Industrial research naturally involves co-operation between the State and the public or private industrial sectors; the role of the State can be either "indirect", when it provides the industrial sector with technical, financial, legislative or other support without directly entering into the research itself, or "direct", when it sets up independent or non-independent research institutes. Some research must remain the responsibility of enterprises and specialised professional groups; indeed, it is desirable to encourage the establishment of fundamental and applied research departments within large industrial enterprises so as to delineate more precisely the fields of study and possibilities for direct application of results and discoveries: this makes co-operation within industry itself and co-operation with the institutes all the more desirable.

36. This co-ordination must be founded on as broad a basis as possible (for example, a national committee) so as to help the various participants to formulate their research policy and review their programmes in the light of the practical needs of industrial development (application, development, adaptation), without straying away from fundamental research. It is desirable that research institutes should maintain a certain breadth of activity instead of indulging in excessive specialization, and it is also desirable that special importance should be attached to the needs of small- and medium-scale enterprises; indeed, the provision of services under contract is one of the main functions of research institutes, although it must not be allowed to harm research projects and long-term investigations carried out with a view to the national objectives of industrial development. For its part, provision must be made in national planning for the allocation of the resources needed to enable industrial research to supply the range of technical and economic services which will be called for by the economy; this initial awareness of needs is one of the first stages in co-ordination. International co-operation must also be pursued to the point of possible specialisation by various multinational research centres; the work done in such larger units would be bound to be better, and the reduction in the number of institutes would facilitate co-ordination.

37. Standardization and quality control are two more subjects where harmonisation between the various parties is necessary. The definition of functional standards (which ensure that a product is in accordance with the sought-for objective) and dimensional standards (which ensure the possibility of simplification, unification, type classification and interchangeability) bring order into a given field with the assistance of all those concerned, who derive substantial advantages from standardisation (overall savings, protection of consumers' interests, safety and protection of health and life) provided the standards are observed and their application supervised. The necessary harmonization is a delicate matter, for it is necessary not only to take account of the particular interests of the manufacturer, the consumer or exporter and the public authorities, but also of the international situation in the field in question and the co-operation which is desirable between States. The establishment of regional or sub-regional standardization centres responsible for promoting standardisation, quality control and legal and industrial metrology in accordance with

internationally unified provisions may be an appropriate solution, provided that such centres work in close collaboration with all those concerned. Another solution sometimes adopted is that of entrusting the definition of standards and quality control to the industrial research body. This has the advantage of obviating the establishment of a separate standards institute.

38. Industrial information is an essential aspect of the transfer of technology which, in developing countries with limited resources of research facilities and experienced personnel, depends largely on the contribution from advanced countries and other developing countries. There are numerous sources of information, such as public departments (Ministries of Industry and Trade), public or semi-public institutions (patent offices, bureaus of standards, productivity centres), research bodies, professional associations, etc., but the great abundance of documentation calls for choices to be made and for the information to be properly assimilated and presented so that it is easily usable. This means that the State has a role to play in the promotion and co-ordination of these various information activities, for the rapid expansion of knowledge is no longer something which can be dealt with solely by private companies, and it must be tackled on the national and even the international level. A public or semi-public unit specializing in industrial information and attached to the promotion body or to the industrial extension service could be a suitable solution. International specialization by such units in neighbouring States is also a possibility, each unit dealing with the documentation for specific industrial sectors.

39. Industrial extension services provide an effective means of passing on knowledge and experience to industry; in particular, such services are an important element in the programme for the development of small-scale industries, making it possible to improve the functioning of such enterprises, to encourage the modernization of existing enterprises, to stimulate the spirit of enterprise and to orient industry towards new industrial projects. Such services, which are generally attached to other already existing institutions (research institutes, technical colleges, etc.) serve both as means of communication between industrial users and experts and as documentation services. Thus, standing as they do at the meeting point between users and suppliers, who are numerous on both sides, industrial extension services offer interesting possibilities for carrying on co-ordination activities, provided there is a minimum of

internal coherence, for it is by no means unknown for several separate services to deal with industrial extension activities without any adequate agreement between them, although this situation is not so frequent in industry as it is in some other sectors, especially agriculture.

40. Parallel with industrial extension activities, other services can encourage the promotion of small-scale industry, industrial estates, industrial co-operatives, sub-contracting, etc. Some countries have adopted integrated overall programmes in this connexion, while others have been satisfied with noticeably less effective fragmentary action. The public authorities must take the dominant role in establishing such overall programmes, for only the public authorities can take special measures to suit each particular case, integrate the programme into the general industrialization programme of the country, and ensure the availability of the necessary financial resources which private bodies would find it hard to assemble because of the generally lower profits to be expected from such investments. This leading role of the State, which often takes the form of the establishment of a dependent or independent service for small-scale industries, should not prevent the delegation of certain sections of this activity, under State responsibility, to private bodies or professional organizations.

41. Industrial estates enable the spirit of enterprise to be stimulated by grouping together and providing a framework for enterprises of all types and sizes and providing them with common services in an effective and economical manner. Industrial estates also facilitate relations between enterprises, especially as regards sub-contracting between large and small units. The size and location of the estates and the nature of the enterprises to be located on them, however, must be carefully defined by the authority responsible for development, which should have sufficient power to direct the management of each estate in this connexion. In several countries the creation of an office responsible for establishing and managing all industrial estates has proved to be an element of order and dynamism.

42. Industrial co-operatives are suitable means for promoting industrialization of the type which is in many cases considered to be most desirable ("labour intensive" industries based on the utilization of local raw materials and having the advantages of saving foreign exchange, providing training and encouraging local investments).

If, in the initial stage of their establishment, the infant industries are incapable of establishing independent development programmes and rely on the promotional activities of the State, then in a later stage they will more readily use complementary assistance, and at that moment the State must orient, encourage and facilitate the contribution of private bodies in order to facilitate co-operative action. In return, the co-operatives can play a useful role by participating in the allocation of economic planning priorities and they can also help their members to improve productivity, standardisation and quality control. The body responsible for industrial co-ordination must therefore take care not only to back up their action in this direction but also to make sure that this action does fit in with the general policy being pursued by other bodies. Because it is difficult to obtain sufficient key personnel with adequate qualifications for co-operatives, consideration should be given to the inclusion of the necessary training programmes in the general training programmes.

43. Chambers of industry are also a useful instrument because of the possibilities which they provide for: the improvement of industrial relations (through the meetings which take place in them between management personnel and labour); the passing-on of information, data and commercial advice; campaigns for inducing enterprises to make more extensive and more effective use of technical assistance, and measures to give business circles greater awareness and understanding of the industrialization process. Through their composition and their activities, chambers of industry facilitate co-ordination between the various institutions offering industrial services: on the one hand, when these institutions are invited at frequent intervals to participate in the work of chambers of industry they become more clearly aware of the needs to be satisfied, and on the other hand the professional staff brought together in these chambers can more easily define in common the services which seem to them to be most necessary for themselves or to future enterprises whose establishment it is desired to promote.
44. Manufacturers' associations, whether general or restricted to a particular branch of industry, defend and promote the interests of their members, but also express their views concerning the major national interests, which include problems of encouraging industrialization. Acting as they do as a means of bringing their members into collective relationship with outside services (this corresponds to an interesting type of co-ordination), these associations also provide their members with certain industrial

services regarding productivity, management, investments, research, training, standardisation, studies of the profitability of projects, patents, etc. Co-operation on the basis of mutual confidence between such associations and the industrial development body responsible for co-ordinating the activities of the various industrial services will ensure the full utilization of these possibilities.

45. The feasibility studies needed for preparing projects suitable for submission to potential investors can give rise to disputes between institutions providing industrial services, the right to produce such studies being claimed, inter alia, by industrial research bodies, the promotional body, and the development bank or investment company. Competition in this field, as in others, leads to waste and duplication of effort, and resources can be saved only by the designation of a single body to be responsible for the work, or the distribution of the studies among the various bodies by agreement.

46. Systems of industrial training and industrial instruction frequently suffer from lack of co-ordination and excessive dispersion; this makes it difficult to establish overall plans for the training of specialized personnel and impossible to put such plans into effect. Certain training facilities are the responsibility of the public authority (vocational schools, training centres, etc.), but enterprises themselves train part of their personnel ("on the job" training). While the size of the training facilities provided by enterprises will naturally correspond with requirements, the same is not true of the facilities provided by the State schools, unless there is adequate liaison between the various suppliers and consumers of training facilities. This is why the establishment of an industrial training body - or the extension along these lines of an existing institution - is worthy of consideration: such a body, if provided with a flexible and broad-ranging management, would provide liaison between the users in the public or private sector and those providing training services, it would encourage enterprises to train personnel themselves, it would co-ordinate the training thus given with the training given in technical and professional establishments, it would prepare the necessary teaching material and facilities, and it would establish standards in the matter. The incorporation of a training/employment plan in the medium-term development plan of the country would facilitate the work of such a training body.

D. Financial institutions

47. Financial institutions designed to promote industrialization can contribute to the co-ordination of activities ("he who has the money takes the decisions") but they often raise problems of harmonization when several different financing instruments exist at the same time. Thus, there is frequently an industrial development bank responsible for making loans, an investment company which participates in the capital of enterprises, an institution providing assistance (including financial assistance) to small-scale industry, and so on. These various establishments may be public bodies, establishments based on association between the State and private interests, private establishments enjoying a State guarantee, or completely private establishments: depending on the type of establishment in question, the public authority's capability to direct the establishment's policy will vary considerably. Here, too, an effort to achieve some degree of concentration in order to avoid excessive proliferation of institutions and to secure the maximum amount of common direction is a favourable element; if the legal status of such establishments is made similar to that of mixed public/private companies, this will ensure that the State has sufficient right of direction, in most cases, to make it unnecessary to give the establishments too marked a State-run character (which might dissuade private investors from placing money in them), and the establishment of a credit board in which representatives of the State, directors of financial institutions and representatives of the public and private industrial sectors participate will permit the harmonisation of investment policies in accordance with State directives and the needs of investors.

V. SUMMARY AND CONCLUSIONS

48. For the developing countries, the extension of their industrial base is a major preoccupation which calls for discipline in the selection of the branches of industry to be promoted, the location of the enterprises and the utilization of scarce production factors. Governments are therefore not usually willing to allow a "laissez faire" policy, and they try to allot clearly defined tasks to the three parties in the matter, namely, the State, the public industrial sector and the private industrial sector; this presupposes co-ordination between the parties to avoid opposition, dispersion or duplication of effort, wastage of resources and under- or over-equipment.

49. It would seem that the sought-for co-ordination should be based on prior discussion and agreement among the various parties, subject to the arbitration and supervision of the State, for it is always difficult to demand the application of decisions which have not been discussed and accepted beforehand. The reaching of such agreement would be facilitated by the proper organization of the services and development bodies of each of the parties. At the basis of any effective co-ordination of the three parties concerned in industrial development lies a precise definition of the "rules of the game" which must constitute the regulations for the parties: thus, the respective roles of the State, the public sector and the private sector must be clearly specified so as to avoid overlapping or disparities, and in this definition of roles the State will be well advised to guard against overreaching its capacity, so that nothing will stand in the way of creating an atmosphere of mutual confidence and maintaining a dialogue on all points of common interest.


50. The establishment and functioning of the bodies responsible for providing industrial services gives an opportunity to put into action such co-ordination based on agreement and dialogue. The establishment of an industry presupposes the existence in the country of practical industrial services which facilitate the establishment process. The role of such services goes well beyond this, however; in order for enterprises to grow, industrialists need to be in a position to anticipate market trends and develop effective internal and external marketing arrangements, they need help with management, financial or technical problems, they want to increase their productivity, modify and standardize their products, secure training for their personnel, and they demand a patents service for protecting their inventions or allowing them to make use of foreign techniques. No enterprise can hope to solve all these problems alone, and the necessary services must be provided, depending on their nature and on the country concerned, by specialized private companies, commercial or professional associations, or the State itself. The greatest possible flexibility must be displayed in selecting the best ways of providing these services.

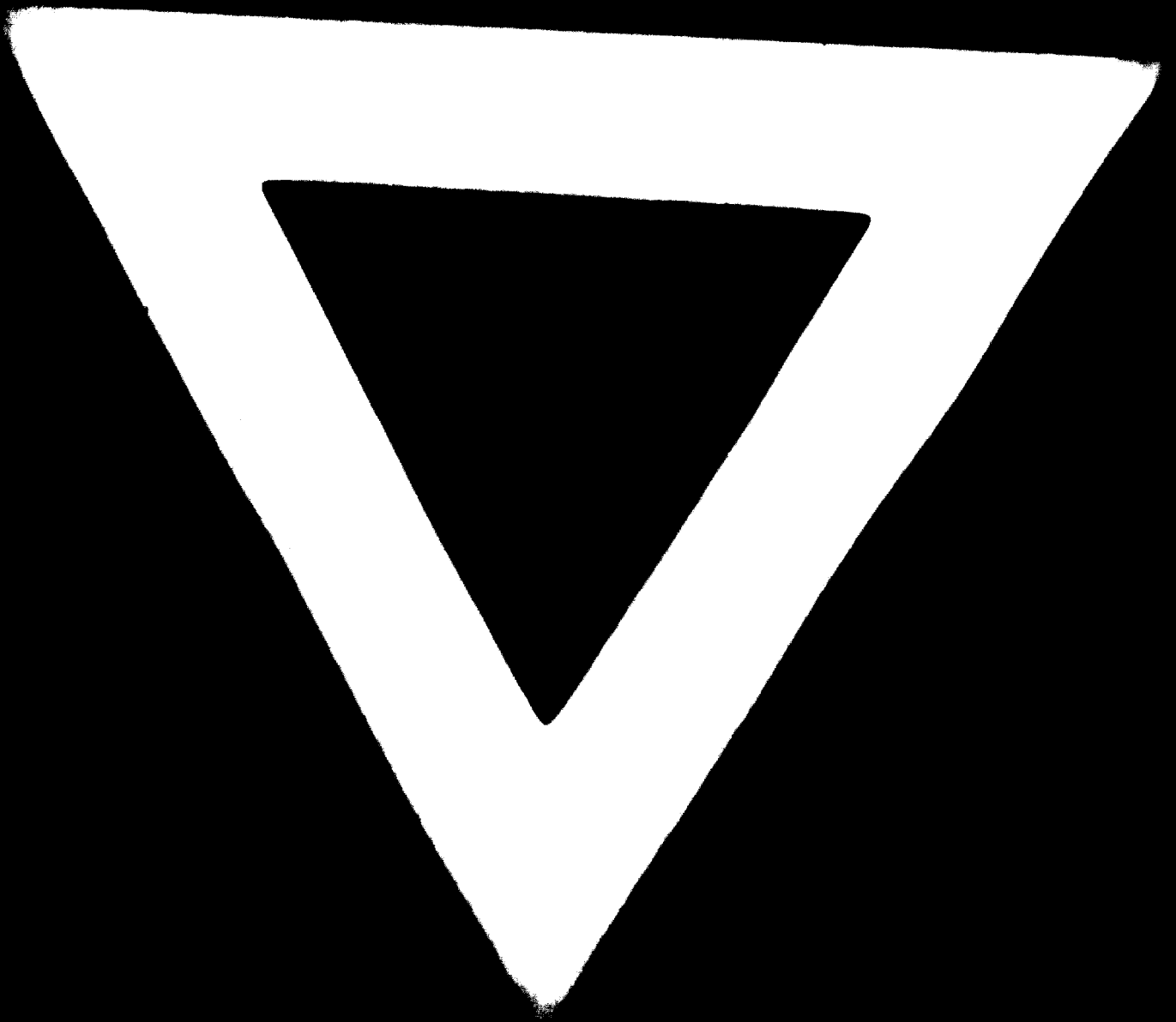
51. Some industrial services are provided by bodies which are dependent on the public authorities and are more or less closely linked, depending on the particular country, with the administrative system; some services, however, are provided by the private sector. The harmonization of all these can be secured, for example, by the establishment of a system of inter-institution co-ordination (co-ordinator, advisory

committee, etc.), with participation not only of the bodies concerned, but also of representatives of the public and private industrial sectors who will aid the institutions to define their task. In the case of institutions which come under the public authorities, the supervision of a ministry or an industrial promotion body and the nomination of representatives from such a body to operate within each institution, together with efforts to counter the dispersion of activities among too many bodies, seem suitable ways of facilitating the pursuit of a concerted policy which can advantageously be defined in the plan and for which the desirable operating funds can be allocated in the plan.

52. The State must play a double role in the process of industrializing a country. On the one hand, it must organize and supervise the framework for development: the Ministry of Industry, working within the framework of the general directives of the planning body, would appear to be most suitable for carrying out this function. On the other hand, it must encourage the promotion and stimulation of development, and here the establishment of a specialized industrial promotion body would seem to be advantageous. This promotional body could provide some of the expected industrial services, either directly or through independent units subordinated to it, thus forming a liaison stage. Its co-ordination activities could be extended to all bodies providing industrial services, if at the same time an inter-institution advisory committee was set up. In order to prevent the absence of competition from bringing about intellectual fossilization and excessive compliance with routine in the operation of the industrial development body, periodic evaluation of its results would be valuable.

53. Some industrial services can be provided equally well by the State, by independent institutions, or by the users themselves. It does not appear to be in the interest of the public authorities to take it upon themselves to provide services which could be provided equally well by the organized private sector; in such a case, a co-ordinating role would probably be more effective and would induce the private sector bodies to participate to a greater extent in industrial development. Measures to train the technicians needed to supply these services, steps to reduce the number of trained personnel leaving the country, and suitably adapted financing facilities would certainly facilitate this co-ordination by the public authorities.

54. A given type of industrial service is often provided by several bodies at the same time: research is a typical example of this. Co-ordination measures should therefore also be taken in this case: they could be based on prior consultation and agreement between all bodies and joint discussion of objectives and programmes, in committees, for example, with the participation of the users of the services.
55. Generally speaking, in preparing the ground for such harmonization there can only be advantage in using all opportunities provided by meetings between representatives of the State, those of the service institutions, and the representatives of the industrial sectors. Planning committees, chambers of industry, trade unions, manufacturers' associations, etc., offer interesting possibilities in this respect.
56. Frequently, in everyday life, personal interests and collective interests do not coincide. Development is no exception to this state of affairs: the objectives and desires of enterprises or promotion bodies are often defined in the light of the personal interests of each party, such as desire for profit, desire for prestige, desire to command, etc. These interests, which are often motivated by thoroughly honourable aspirations, form a considerable incitement to action, but when they are all taken together they do not correspond to the best interests of the community or even to the best individual interests of each enterprise or body, because of the wastage and duplication resulting from a disorganized approach. By prior discussion and agreement between enterprises, between bodies and between sectors, the development requirements will be understood by the partners, the economic policy and compulsions of the State will be appreciated, and decisions for co-ordinated action can be taken: coercive measures should be taken only when this process of prior discussion and agreement breaks down or is absent. At no time, however, should the State abandon its role of orientation, organization and selection or its right to intervene and to apply sanctions when necessary.
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