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in the Least Developed Countries of Asia, the Far East
and the Middle East

Nepal and India, 1 - 23 April 1974

STRATEGY
OF SMALL INDUSTRY DEVELOPMENT
IN COUNTRIES AT DIFFERENT LEVELS OF INDUSTRIALIZATION 1/

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INTRODUCTION

1. In the past twenty to twenty-five years, it is in the relatively advanced among the developing countries that the main efforts to promote small-scale industry have been undertaken. In nearly all these countries, the promotion of this sector is an important policy objective and various institutions and facilities, systems of financing, incentives and numerous measures of assistance have been devised to that end. In order to guide and strengthen their own efforts, the Governments of many of these countries have requested and obtained technical assistance from all sources - international, multilateral and bilateral. Thus most of the experience on policies and measures for the promotion of small-scale industry has been gained by governments and foreign aid agencies in countries where the industrial structure, including the small industry sector, was relatively developed.

2. It is only in recent years that the governments of the less and least developed countries have recognized the importance of the role that small-scale industry could play in their industrialization programmes and have turned to foreign aid donors for assistance in this area. Although comparatively recent, the small industry development programmes of both governments of the less developed countries and international organizations - especially the United Nations Industrial Development Organization (UNIDO) - are taking momentum. Over the period 1972-1976, technical assistance operations in the field of small-scale industry are programmed to account, in money terms, for more than 23 per cent of the total number of industrial operations scheduled by UNIDO in Africa (\$8.7 million out of \$37.3 million). That region includes 16 of the 25 countries listed by the United Nations as the least developed among the developing countries. ^{1/} UNIDO carries out

^{1/} The 25 least developed countries are:
Africa: 1. Botswana 2. Burundi 3. Chad 4. Dahomey 5. Ethiopia 6. Guinea
7. Lesotho 8. Mali 9. Malawi 10. Niger 11. Rwanda 12. Somalia 13. Sudan
14. Uganda 15. United Republic of Tanzania 16. Upper Volta
Asia and Oceania: 17. Afghanistan 18. Bhutan 19. Laos 20. Maldives
21. Nepal 22. Sikkim 23. Western Samoa
Middle East: 24. Yemen Arab Republic
Latin America: 25. Haiti

operations in the field of small-scale industry in 13 of the 16 least developed countries of Africa, and in many of the other countries of that region which, by any standard, are at early stages of industrialization, even though they do not meet the criteria adopted by the United Nations for the purposes of this classification; UNIDO also gives assistance in that field to the only country of the Middle East and the only country of Latin America appearing on the list. No operations in small industry development are conducted at this time in the least developed countries of Asia and Oceania. About two years ago, special programmes for the least developed countries, including special financing provisions, have been established by different organizations of the United Nations family, including UNIDO.

3. In the more advanced countries, UNIDO operations in the field of small-scale industry rank second in order of importance. Overall, in the period 1972-1976, small-scale industry accounts for \$18.2 million out of a total of \$124.7 million programmed for UNIDO technical assistance operations, i.e. 14.6 per cent. Assistance in the field of small-scale industry is, over that period, the largest single operational programme of UNIDO as a whole.

4. Undoubtedly, the fact that national development programmes and technical assistance activities have for so long concentrated on the problems of the relatively advanced countries has to some extent distorted the approach to small industry development in the less and least developed countries. It is not always realized that the conditions of non-industrial countries call for policies and measures different in many respects from those which proved to be successful in the relatively advanced countries. Misconceptions due to reliance on irrelevant experience are evidenced on the part of government officials, technical assistance experts and even officials of international and other foreign aid and financial agencies. For instance, extension centres with an elaborate organizational structure and networks of industrial estates patterned on those established in the relatively more advanced countries have been recommended - though not set up - in countries where such facilities would be unsuitable or at least premature. The same is true of certain proposals for intricate credit schemes, special

measures to promote subcontracting, the setting up of special institutions for financing, marketing, technological research, training and so on. Requests for certain types of technical or financial assistance, for instance for the establishment of industrial estates in less developed countries, have been shelved or turned down by officials of certain foreign aid organizations on the grounds that prospective entrepreneurs have not been identified prior to constructing the estate. Such a criterion, which is valid in an advanced country, ignores the fact that, in a less developed country where no modern indigenous industry exists, the industrial estate, in the early stages, is more a means of stimulating entrepreneurial initiatives than of satisfying a demonstrated demand for factory accommodation. Many examples could be given of failures in technical assistance operations due not only to the well-known inability of experts or officials to adapt institutional systems, technologies and development measures successful in the industrial countries to the conditions of the developing countries but also to their inability to adapt systems effective in the relatively advanced among the developing countries to the conditions of the least developed ones.

5. The purpose of this paper is to outline in an admittedly summary and simplified way the main lines of the small industry development strategies which might be adopted by, respectively, the more advanced among the developing countries and the less or least developed ones. The presentation is intentionally summary so as to provide a panoramic view of the subject without entering into detailed descriptions and discussions. The suggested models are simplified since the differences in the level of development of countries of the "third world" are not as sharp as those assumed here and since exceptions to the strategies proposed in the paper are found in actual practice in certain countries - whether for good reasons or not. Nevertheless, it is felt that the main orientations proposed here would be generally valid in the developing countries which are, on the one hand, at the earliest stages of development and, on the other hand, at the threshold of rapid and self-sustained industrial growth. The paper reviews, successively, the over-all objectives of small industry development policies and the promotion measures which might be suitable in these two groups of countries.

I. DEVELOPMENT POLICIES

Less and least developed countries

6. The promotion of small-scale industry in the least developed countries is confronted by many difficulties: the dearth of potential entrepreneurs; the inadequacy or lack of physical infrastructure, except in a few urban centres; the shortage of financial resources; the narrowness of markets; the lack of certain raw materials; the low educational level of a large part of the population; the adherence to traditional ways of life; the inexperience of certain government officials; and other obstacles which hamper not only the emergence of entrepreneurs but also the promotional action on their behalf. Not all these obstacles are insurmountable, but it is certain that, in view of their strength and persistence, lengthy and concentrated efforts to overcome them will be required on the part of both national authorities and foreign aid organizations.
7. As a rule, the industrial structure of these countries consists of a small number of large-scale or medium-sized industries owned and managed by foreigners, expatriates or the Government - not infrequently in the form of mixed-economy companies; and of a sometimes large but usually diffuse and all too often primitive sector of artisan, handicraft and cottage-industry undertakings operated by indigenous craftsmen. In between, there is hardly any middle class of small but modern industries owned and managed by indigenous entrepreneurs.
8. In these countries, the main objective of a policy for the promotion of small-scale industry should be to stimulate the emergence of national, indigenous industrial enterprises. This policy would not be merely aimed at achieving economic goals; it would also, and to a large extent, be directed towards social and political objectives, the principal of which is to induce for the first time the participation of the indigenous population in activities of vital import to the development of the country - in the case under consideration, the development of industry. Where no modern "national" industry has ever been set up, where no industrial tradition has ever been maintained, where technical and managerial knowledge

and experience are rare or almost inexistent, this is one of the most difficult and challenging endeavours for both government and foreign experts. Their main task is to set up, on a modest scale to begin with, some government machinery and some facilities whereby the first enterprises would be set up and then supported. Their expectation is that, after a demonstration has been made - and this may take quite a long time - of what has been achieved with government assistance and usually with foreign technical co-operation, the interest of nationals in setting up industries will grow to the point that entrepreneurial initiatives develop spontaneously.

9. It is in the main urban centres that this demonstration can be achieved most effectively, because this is where the "external economies" - financial sources, trained manpower, market, transport and communications centres - are present and where, therefore, the chances of success of industrial enterprises are the greatest. In the early stages, therefore, small-scale industries should be mainly promoted in the metropolitan centres of the least developed countries. In actual practice, however, not all the less developed countries follow such a policy. In some of them, the government endeavours to promote small industries mainly in selected rural areas which offer the minimum facilities required for industrial activities: power, water, raw materials, roads and market. The experience gained so far is that the few enterprises set up in such areas are more artisan undertakings than modern manufacturing concerns and that their effect on local - let alone national - development remains extremely limited.

10. What to do about the handicraft and artisan sector in the least developed countries is a difficult issue. Clearly, there is little point in promoting artisan undertakings which are or will be unable to sustain the competition of imports or of modern industries, existing or proposed. The shortage of human and financial resources of national promotion institutions and of foreign technical assistance organizations makes it imperative to adopt a selective approach. Artisan activities having prospects for development should be identified, though not all of these could be assisted. In the least developed countries where handicraft items with artistic

merits are produced, the promotion of this sector may be given a high priority. Efforts to increase the sales of these items on both the tourist and foreign markets may be of even greater importance than action to improve the design and the quality of the products.

11. There are not many artisan activities that lend themselves to transformation into modern manufacturing in the same line of business: furniture making, ceramics, ready-made garments are among the few which can be so transformed. Assistance to such artisans in introducing some modern machines, in training their manpower, and in expanding their output to the point that they produce for stock rather than on order, would be justified.

12. In general, artisans are reluctant, for psychological, sociological and other reasons, to shift to activities different from their own, whether as entrepreneurs or hired workers. Nevertheless, some of them may have leadership and management abilities and may constitute one of the sources of entrepreneurship in industry or services. Steering artisans belonging to subsectors "doomed" by existing or prospective industries using more advanced technologies towards certain service activities might often be more effective than orienting them towards industry. Promising services include repair of automobiles and agricultural machinery, servicing of household appliances, plumbing, electrical installation, etc. . Switching to residential building is another possibility. The undertaking of most of these activities requires re-training, the difficulties of which should not be under-estimated.

More developed countries

13. In the relatively advanced countries, there is usually an established, though frequently weak and sometimes inefficient small industry sector, and a major objective of development policies is to modernize, expand, diversify or, on the contrary, specialize, the existing enterprises. Assistance concentrates on the improvement of productivity and product quality and the lowering of production costs; the rationalization of management and the expansion of sales on the domestic and foreign markets.

14. In these countries, the promotion of new entrepreneurship is usually aimed either at diversifying the industrial structure or at remedying regional imbalance through industrial decentralization, or both. In every country, even in the highly industrialized ones, there are relatively under-developed provincial areas and it is widely recognized that, because their requirements in terms of materials, power, labour and markets are less stringent than those of larger enterprises, small-scale industries may effectively contribute to the industrialization of these areas. Small industry promotion will, as a rule, be concentrated in provincial towns having a potential for industrial development; in some villages in rural areas, some agro-industries, mainly those using heavy or perishable raw materials, may be located.

15. Another important objective of small industry development policies in the relatively advanced countries is, or should be, to bring about a better integration of the industrial structure by promoting subcontracting among large-scale and small-scale industries. While there is some scope in the less developed countries for the production by small-scale industries of simple parts and components for larger undertakings, it is essentially in the relatively advanced economies that subcontracting can and should take an appreciable development.

II. BASIC MEASURES OF PROMOTION

16. In any economy, developed or under-developed, the promotion of small-scale industry is undertaken by government-sponsored institutions, frequently referred to as industrial extension centres. The reason for the intervention of the government is that small-scale industries are usually too weak, too poor, too uninformed and too scattered to be able to help themselves, either individually or collectively. If the government does not assist them, nobody else would do it. As will be seen later on, there is some scope, mainly in the relatively advanced countries, for self-help through groupings, co-operatives and associations. But self-help, even where it is possible, will normally complement and not replace government-sponsored assistance.

17. Most small-scale industrial enterprises have three basic needs: financing, either for investment in fixed assets at the time of establishment, or for modernization and working capital requirements during operation; assistance in technology, management and marketing; and industrial premises. These needs should be met by appropriate institutions and suitable measures. In addition, some special incentives may need to be provided, either to stimulate entrepreneurship, to offset the disadvantages of smallness, or to induce growth. These measures and incentives should take different forms or should be applied in different ways in countries at different levels of development.

Financing

18. In the less or least developed countries, financing will need to be provided to small-scale industries predominantly by government credit institutions. It is unlikely that commercial banks, which, in all countries, are usually reluctant to lend to the smaller enterprises, could be relied upon to any appreciable extent to sustain them financially in the conditions prevailing in the less developed countries. Moreover, the conditions imposed by commercial banks as regards collateral, interest rate, terms for repayment, default procedures and so on are usually severe. The financing of small-scale industries must necessarily be given at liberal conditions.

19. Most financing operations for small industries in the less developed countries will need to take the form of "supervised credit", under which the banking institution, the extension centre or both evaluate the need for funds, assist in preparing the application for credit, and supervise the use of funds. Thus, under supervised credit schemes, technical assistance is closely linked to financial assistance. In a less developed country, the new entrepreneur will invariably be a borrower and one of the first tasks of the extension centre will be to assist him in obtaining his financing. For this reason, extension service and financing might well be, in such a country, the combined function of a single promotion institution, though, in the long run, as development gains momentum, the two functions - and the institutions - will need to be dissociated, though they will remain related.

20. One of the forms of supervised credit is the hire-purchase scheme, whereby machinery is provided to the industrialist on the instalment plan rather than money. Under this system, the machinery is the collateral, which solves one of the main difficulties of the financing of small-scale industries. Hire-purchase may be applied in a less developed country; in view of the relatively small number of industries to be set up in the initial stages, no elaborate institutional arrangements would be required for the operation of the scheme, as would be the case in a more developed economy.

21. A form of financial assistance which is particularly suitable for the less or least developed countries is financing under a guarantee and equity participation fund. Under this system, a temporary equity participation is taken by the fund in the industrial enterprise, which meets a part of the enterprise's immediate needs for investment and enables it to borrow more from other credit institutions. The entrepreneur is under the obligation to reimburse the amount of the equity subscribed by the fund in a given period of time, at the end of which he becomes the sole owner of the enterprise.

22. In the least developed countries, the obstacles to the financing of small-scale industries are not raised merely by the risks involved, the collateral requirements, the unprofitability of the banking operation and so on, which limit such credit everywhere. There may also be a shortage of

financial resources for lending. In some cases, international and bilateral foreign aid sources have channelled funds to national banking institutions for loans to small-scale industries. There are limits, however, to the number of countries which might benefit from such assistance and to the amounts of funds which might be put at their disposal. Recourse to funding by the government of the country would be indicated in most cases. This would evidently involve a diversion of scarce resources from other, equally urgent, needs. In the last analysis, the provision of resources for small industry development, whether for lending, for setting up and manning institutions, for building industrial estates or for other purposes, will depend upon the awareness by governments of the importance and relative priority of this objective and of the means required for achieving it.

23. In the relatively advanced countries, the same forms of financing will be needed, especially for credit to small-scale industries located or to be set up in the relatively less developed regions of these countries. In these countries, too, a large part of the financing will need to be given by public institutions.

24. However, there is also scope, in these countries, for obtaining the participation of private commercial banks in the financing of small-scale industry. To the extent that the risk to the bank represents a major obstacle, this may be alleviated through a system of credit guarantee or insurance which could eliminate or minimize eventual losses for the bank. Another possibility, in these countries, is to promote co-operative financing.

Extension services

25. In a less or least developed country, first priority should be given to the establishment or strengthening of an industrial extension centre. In such a country, the centre's main task would be to stimulate and assist the establishment of new small-scale industries; it would provide counselling and training in technology, management and marketing after they are set up. The centre would normally be located in a large city where prospects of development are the most favourable.

26. The centre should be able to provide rational orientation to prospective entrepreneurs on the industries to be set up, on the basis of feasibility and pre-investment studies. In general, the centre should seek out entrepreneurs rather than wait until they solicit its services. Once identified, entrepreneurs should be given assistance at every step leading to the establishment and operation of their industry. financing should be facilitated; land and factory requirements should be ascertained and assistance given in acquiring them; help should be provided in selecting, procuring, installing, operating, maintaining and repairing machinery and equipment; in hiring and training labour, in obtaining raw materials, in managing the enterprise, in marketing the products, and so on.

27. In other words a new entrepreneur should be guided and assisted in practically all aspects of an activity entirely new to him. The fact that this activity is also new to those who would assist him constitutes a vicious circle which can be broken only through foreign technical assistance and training, on-the-job as well as overseas, of the national trainers. The lack of qualifications and experience of nationals makes it exceedingly difficult to recruit competent professional counterparts. In some countries, these are not recruited at all and extension centres are operated by foreign experts discharging, de facto, executive responsibilities and having no one to train -- a situation which runs counter to the basic purpose of technical co-operation. Elsewhere, counterparts are appointed but some may be inadequately qualified, others require a very long period of apprenticeship, others, even after having been trained, are transferred to different public service posts. In the least developed countries, these problems are practically unavoidable. They can however be corrected, but this will take a considerable time, much patience and even abnegation on the part of the givers of aid and, above all, an understanding attitude on the part of the government which would lead it to support effectively, through the provision of adequate human and financial resources, the building up of a national centre aimed at assisting national enterprises.

28. Once established, the small industrialist should get close counselling and even tactfully conducted supervision of his operations, as long as needed. There is much evidence that, if an entrepreneur has

the right qualities of leadership, intelligence and business acumen, he will, even if illiterate or uneducated, forgo the need for various forms of assistance in a reasonable period of time; a born entrepreneur will, in fact, strive to be as self-supporting as he can, as rapidly as possible. But this will not be achieved unless competent assistance and training in technology, management and marketing are made available to him. Initially, the techniques to be imparted will be simple: the technological problems of operating a few machines and processing a few types of raw materials should be easily assimilated; training in management will, in the beginning, concentrate on basic bookkeeping and cost accounting; and assistance in marketing will consist in inculcating basic principles of design, packaging and sales promotion. These efforts should be complemented by vocational training, including both skill formation and upgrading, especially geared to the needs of the small-scale industries to be created.

29. In the relatively advanced countries, extension services will, as a rule be more concerned with the modernization and expansion of existing industries than with the creation of new ones, at any rate in locations where small-scale industries are already concentrated. In such areas, a spontaneous industrial development trend may be in evidence, and the activities of the extension centre may be limited, as far as new industries are concerned, to providing counselling to new entrepreneurs on industrial opportunities and on financing possibilities and procedures.

30. The assistance to existing industries may require training and advice in rather sophisticated techniques such as production planning and control, quality control at different stages of processing, management accounting, product development, advertising, export promotion, facilitation of subcontracting and so on.

31. On the other hand, in the areas of these countries where relatively little, or no industry exists, that is, in provincial towns and rural areas, extension services would be basically of the same nature as those which should be adopted in the less or least developed countries. The services would further industrial decentralization by contributing to the creation of new small industries, either by local entrepreneurs or by

strangers induced to locate in such areas. In a large country, this may require the establishment of one or several regional extension centres and sometimes even of sub-centres. To work effectively, the centres should be autonomous, though they should be able to obtain the co-operation of the main centre and of other organizations, as required.

Industrial estates and areas

32. It is the unanimous opinion of UNIDO project managers and experts serving in the least developed countries that industrial estates are, together with financing facilities and extension services, a major tool for the creation of indigenous small-scale industries. The provision of standard factories on rent (subsidized if need be) or on hire-purchase is a major incentive to entrepreneurship since it reduces drastically the amount of capital for land and building needed to set up an industrial undertaking. The fact that industries are located on a common site makes it economic to set up common service facilities and to provide systematic and continuous technical counselling and training to the occupants.

33. In a less or least developed country, the first industrial estate will be small and simple. The first standard factories will be few and small, their initial number and size depending on the prospects of development in a given period of time. "Nursery"-type workshops would be useful in many cases. The estates should be so designed as to allow enterprises to grow and new factories to be set up.

34. Even a "mini-estate" will necessarily represent for the developers a sizable investment in land, infrastructure and factory and other buildings. Governments and international and bilateral donors of aid should realize that, especially in a poor country, an industrial estate is one of the most powerful means of overcoming deep-rooted obstacles to indigenous entrepreneurship and of inducing, as rapidly as possible, a spontaneous industrialization trend. It is the "pump-priming" and "demonstration" effect expected of the first industrial estate or estates that provides the justification for investment in such a facility. Needless to say, an estate will not achieve this unless it proves to be successful, that is, if it is rapidly occupied by viable enterprises with

a satisfactory level of productivity. And the preconditions of success are that the location of the estate be correctly selected, that the development prospects of industries be accurately determined, that able entrepreneurs be identified, and that financing and competent technical assistance be available. In a less or least developed country or region, the success of an industrial estate will invariably be more the result of accurate planning and projections than of the measurement of an effective demand for factory accommodation.

35. Thus, in such a country or region, the limitation of financial resources and of industrialization prospects will call for a modest beginning in developing an industrial estate. After the first rows of standard factories are occupied, and if resources do not permit the construction of further "advance" factories, individual buildings might be erected for identified entrepreneurs. Individual buildings might also be constructed or financed for industrialists locating outside of the industrial estate, whether in the same or in another city. The main conclusion to be derived from the preceding discussion is that, to be effective, a programme of development of small-scale industries in a least developed country should include, as a priority measure, the provision of industrial premises at liberal conditions. In the long run, however, after the "pump has been primed" and the "demonstration" effect achieved, less expensive ways of providing physical accommodation than the industrial estate, such as industrial areas offering only improved sites, and construction credit, will be resorted to.

36. In the relatively advanced countries, the industrial estate with standard factories and common service facilities will be used in the same way as in the less developed countries to promote industrialization in decentralized locations. Here too, the industrial estate should be closely supported by extension services and financing.

III. OTHER MEASURES OF PROMOTION

39. There is evidence that, in the less or least developed countries, the basic methods of promotion - credit, extension services and the conventional methods of technical co-operation - expert missions, fellowships and training programmes - may not be sufficient to overcome the considerable difficulties of creating the first indigenous industrial enterprises. What is needed is to go beyond the provision of factory shells, and of counselling and training, and to help in setting up the first productive facilities themselves. The government, foreign aid donors or both might construct a few demonstration plants, including machinery and equipment, spare parts, raw materials, working capital and labour, and start production under public sponsorship. A national factory manager might first be hired and, should he evidence entrepreneurial abilities and have some money of his own, might eventually - though as soon as possible - become the owner of the enterprise, under a liberal financing scheme. A project of this type would be expected to have a demonstration effect influencing further industrial development. The possibility of engaging in such projects is contemplated by the Capital Development Fund of the UNDP. If, as may well be the case in a least developed country, the industrial extension centre is at the same time a financial institution, it might construct and operate, in the early stages, the "turn-key" plant.

40. Another measure of this type would be to encourage partnerships among industrial enterprises in developed countries and small-scale to medium-sized industries in the least developed countries. The types of partnerships may range from supply of machinery at liberal conditions and provision of technicians for initial training to joint ventures involving equity participation and co-management. UNIDO has initiated, on a modest scale, a programme of this type for the less and least developed countries of Africa.

41. What may also be needed, in the least developed countries, is to provide, in addition to experts with advisory functions, some administrative, managerial and technical personnel with executive responsibilities.

UNIDO intends to encourage requests for the services of factory managers and co-managers under the Operational Assistance (OPAS) scheme, a system which has until now been used almost exclusively for supplying the services of civil servants.

42. Other measures would include exemption of imported machinery from customs duties and some scheme whereby government purchases would give preference to small industry products in public bidding. The impact of the latter measure is, however, likely to be very limited in a less developed country.

43. In the relatively advanced countries, on the other hand, a government stores procurement system might have a considerable effect on the development of small industries, by ensuring a market for their products and inducing them to improve their production so as to meet the quality and other requirements specified for tendering.

44. Another measure having a bearing on the market position of small-scale industries is to promote subcontracting between large and small industries, in particular through the operation of a subcontracting exchange. Subcontracting, like government purchasing, calls, on the part of the small industrial enterprise, for high quality standards, adherence to specifications and timely delivery, all of which requires improvement in management and manufacturing and, as a rule, assistance by the extension centre.

45. Another measure of greater importance in the relatively developed countries than in the less advanced ones is export promotion. This calls for various institutional, legal and other measures, including, among other things, market surveys, quality certification, research in design, and participation in fairs and exhibitions.

46. As part of an industrial decentralization programme, a system of differential incentives giving higher advantages to industries locating in provincial areas might be devised. The differentials - which, in most cases, involve subsidies - might relate to rent of factory buildings, electricity rates, freight rates, price of certain raw materials, tax

concessions and so on.

47. The preceding discussion has dealt almost exclusively with the role of the government in the promotion of small-scale industry, whether in relatively advanced countries or in the less developed ones. Some references have however been made to the role of self-help, in particular in the form of co-operatives, in the former countries. There are other forms of self-help which, until now, have developed little but which deserve to be encouraged in the relatively advanced countries. No doubt, chambers of commerce and industry and industrial associations, in particular those grouping small-scale industries, could play an increasing role in the promotion of that sector, e.g. in undertaking market surveys and research, facilitating subcontracting and even providing certain extension services. It is a fact, however, that such associations are reluctant to undertake promotional activities and prefer to limit themselves to their traditional functions of representation and defense of the interests of their members. Some special incentives might be given by the government to these associations to induce them to undertake promotional programmes.

48. In a few West European countries, ad hoc groups of small industries have been set up for carrying out special programmes: for instance, an export promotion or domestic marketing drive, with joint exhibitions and advertising; a technological research study; provision of common services for the group (procurement, sale, legal counselling, computer utilisation, special training programmes, technical consultations, setting up of mutual guarantee societies for financing) etc.. There is certainly scope for such self-help action among the more efficient small-scale industries in the relatively advanced countries.

CONCLUDING REMARKS

49. The preceding discussion indicates that, in any developing country, whatever its level of development, small-scale industry needs assistance and that the main forms of assistance should necessarily be provided by the government.

50. Government support should be the greatest where the needs for help are the most acute. This will be the case: in non-industrial countries; in non-metropolitan areas of relatively advanced countries; in newly-set up enterprises. Paradoxically, it is in these areas that, in most countries, both developed and under-developed, assistance is lagging, mainly because it is much more difficult to provide assistance for such purposes than for others which are easier to reach.

51. As the early needs of an enterprise are met and it becomes stronger and less vulnerable, assistance should normally decline as the industrialist becomes increasingly able to help himself. No small industrialist, however, will ever be entirely self-sufficient. He will depend on the good will of financial institutions for his credit, on that of large industries for subcontracting work and on that of wholesalers and other merchants for his procurement and his sales. Yet as he reaches proficiency in his field, his bargaining power will increase and his ability to borrow, to contract, to buy and to sell will be strengthened. So will his ability to modernize, to diversify, or to expand. If he cannot become entirely self-sufficient, he may become largely self-supporting and self-determined. This is the meaning of self-help at the level of the entrepreneur.

52. Thus, rapid achievement of self-help is a major objective of help and as self-help increases, help may and should decline. There are many ways of gradating a programme of assistance from maximum support to minimum; subsidies may be gradually diminished and then withdrawn; construction of standard factory buildings on an industrial estate may be slowed down and then discontinued; extension services and training may be reduced, in time and scope, for beneficiaries able to forgo this help; payment may, at some point, be requested for services until then provided free of charge; efficient industrialists may be directed towards commercial banks for their financing; and, at the limit, industries outgrowing the ceiling of the official definition - which identifies those who are in need of, and are entitled to, special measures of promotion and assistance - would normally no longer be in need of such support and would lose their rights to it.

In the relatively advanced countries, the loss of privileges at the cut-off point would be strictly observed. In the less developed countries, the need for assistance might subsist even on the part of industries having grown from small to medium size and help should be given to all those who require it, subject to the capacity of the extension centre to do so.

53. The reduction in government assistance would affect those enterprises which make progress. There would, however, be no decline in the over-all volume of assistance. On the contrary, this would be expected to increase as new enterprises are coming up in different parts of the country. There should therefore be a constant strengthening of the extension centre and of the financing facilities if a cumulative industrialization process is to be sustained.

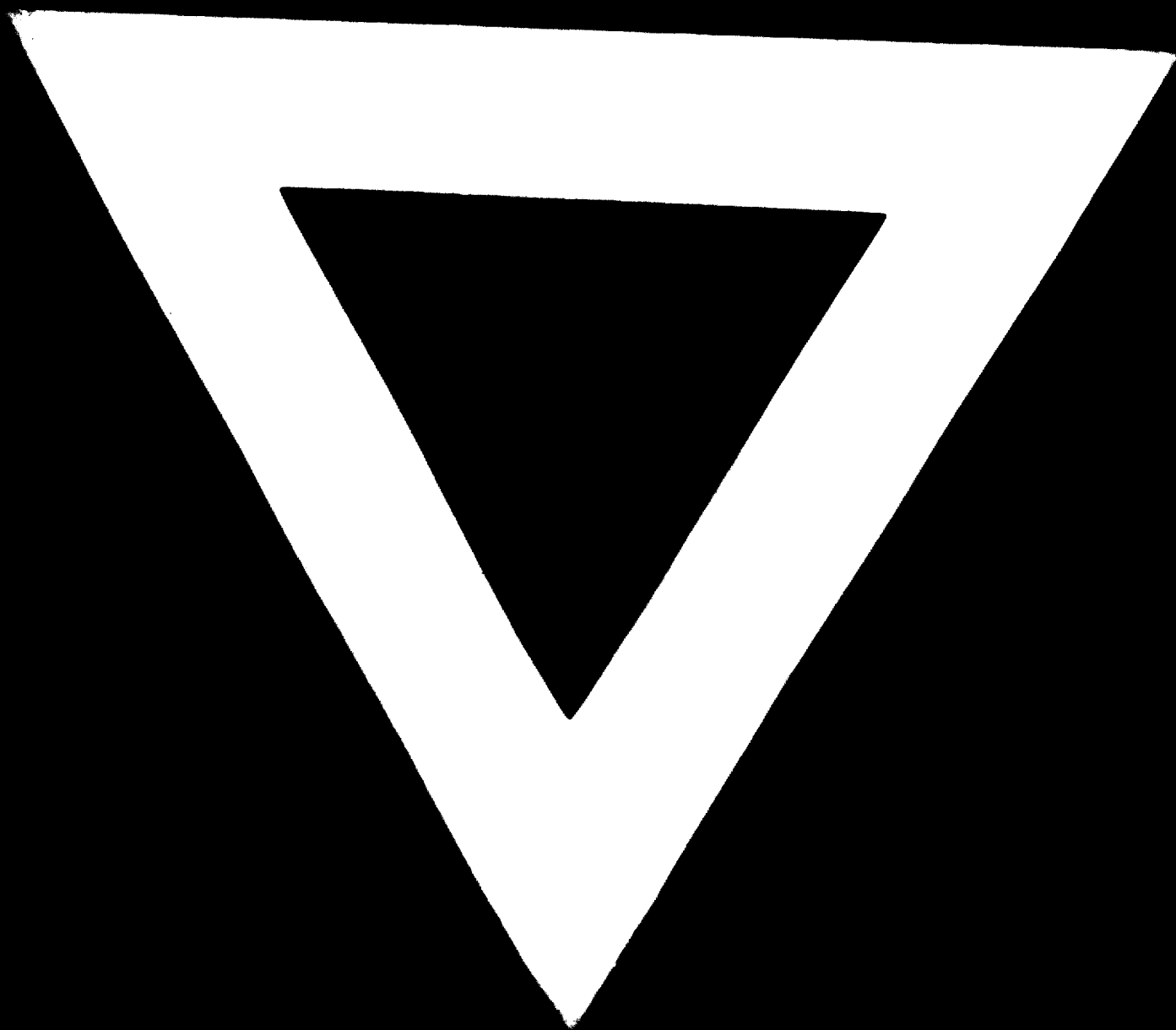
54. As small-scale industries develop in the main urban centres, a diversion of extension services towards the provincial areas becomes possible. In some relatively advanced countries, it is a government policy to discourage the establishment of new industries, including small-scale industries, in the metropolitan centres. This, however, should not preclude the granting of assistance to industries established in such locations, as is regrettably the case in a few countries. In the last analysis, the promotion of small-scale industry has only two basic objectives; creating new industries and upgrading existing ones. While different weights may be attached to each of these objectives, none of them should obliterate the other.

55. There is another meaning to self-help. It is also the action collectively undertaken by groups, associations and co-operatives of small-scale industries. As government assistance spreads, so should the action of such groupings. As already mentioned, collective self-help will not replace government-sponsored assistance - it would only complement it. The difficulties of achieving this are however sizable.

56. Smallness need not be synonymous with weakness or handicap. It has advantages as well as disadvantages and many of the latter can be corrected. Some industries, which begin small, may grow in the course of time. Others may remain small and reap advantages from their size.

In any economy, there is scope for a balanced and even an integrated industrial structure including independent, inter-trading and inter-servicing industries of all types and sizes located in all parts of the country where basic requirements are fulfilled. There are some common sense principles to guide promotion action in countries or areas at different levels of development and in respect of enterprises which are at uneven stages of development - new-born or long-established, weak or strong, having or not having potential for growth, having poor or good prospects for the future. But no principle will lead to action unless some machinery is set up, funds are allocated, and people - help-givers and help-receivers - are trained and educated and are willing and eager to better their lot and at the same time to contribute to the development of their country.





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