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INDUSTRIAL DEVELOPMENT STRATEGY AND POLICIES IN SMALL COUNTRIES

REVIEW OF THE EXPERIENCE OF TEN SELECTED COUNTRIES

Submitted by

the UNIDO secretariat

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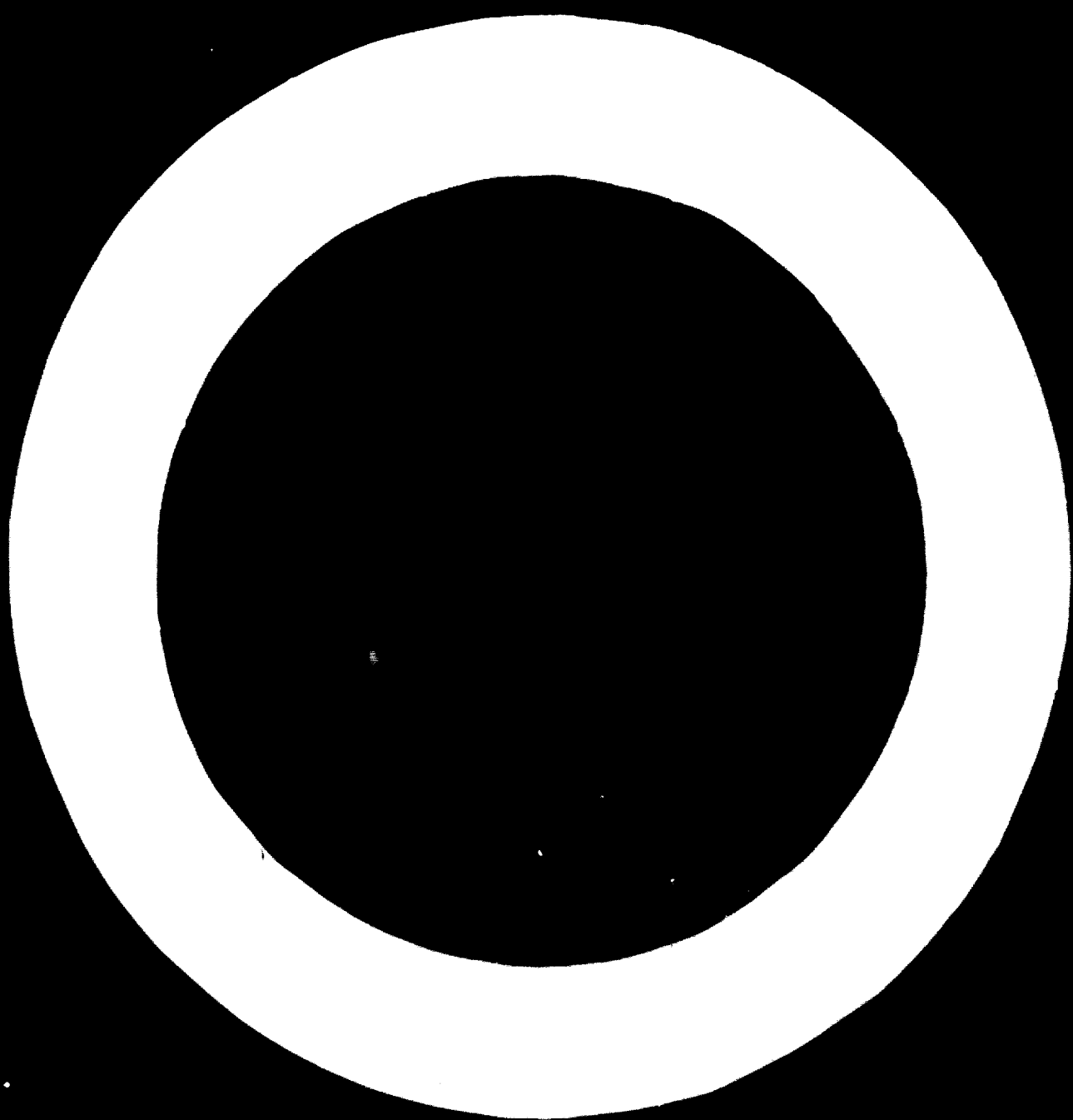


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INDUSTRIAL DEVELOPMENT STRATEGY AND POLICIES IN 10 SMALL COUNTRIES

Introduction

The meeting provides an opportunity to compare the industrial development achievements of 10 smaller countries over the period 1950 - 70 and examine how they are related in the case of individual countries to

- (1) the prevailing preconditions for and obstacles to industrial development
- (2) the economic and industrial development strategy followed
- (3) the industrial policies and measures used, and
- (4) the institutions used to promote and support industrial development.

The achievements will be compared first, acknowledging that available statistics are little more than a rough guide. The influence of the other four factors will be examined in subsequent sections of this paper.

I. A comparison of economic and industrial development achievements

For the first United Nations Development Decade (1961 - 70), a target was set of an average 5 per cent annual increase in real national output; this was estimated to require an average increase of manufacturing output of at least 8 per cent per annum, and an annual increase in agricultural output of 4 per cent per annum.

Five of the 10 countries whose experience is being considered at the meeting exceeded this target for economic growth in the 1960s and five did not (see Table 1).

The faster growth economies (exceeding the 5 per cent target in the 1960s) were Bolivia, Costa Rica, Ecuador, Iraq and the Syrian Arab Republic. The slower growth economies were the Dominican Republic, Ghana, Guyana, Haiti and Uruguay.

Manufacturing output increased by more than 7 per cent per annum in four out of the five countries that achieved faster economic growth^{1/} and in only one of the countries where slower economic growth was achieved^{2/}. Agricultural output

1/ The exception was the Syrian Arab Republic where the high growth rate of GDP for the period 1960 - 69 was due to a rapid average annual growth of agricultural output (5.6 per cent) explained by a very poor crop in 1960 the base year.

2/ These are both tentative conclusions since estimates of output of the manufacturing and agricultural sectors at constant prices are not available for all of the 10 countries.

increased by more than 3 per cent per annum in four of the five countries that achieved faster economic growth and in one of the five countries achieving slower economic growth (See Table 2). Experience suggests, then, that sustained rapid growth of both agricultural and manufacturing sectors is necessary to achieve a 5 per cent growth rate for the economy as a whole; the one exception was Bolivia where expansion of the mining and manufacturing sectors was rapid enough in the 1960s to outweigh the impact of a stagnant agricultural sector.

The contributions of the agricultural, manufacturing, and oil and mining sectors to the increase in GDP achieved in the period 1960 - 70 is analysed in Table 3. The manufacturing sector's contribution was greater than agriculture's in five countries and about equal in another two; it was only significantly less in Iraq and the Syrian Arab Republic (where agricultural output increased 8.3 per cent and 6.5 per cent) and in Haiti which started the period with a small industrial sector.

Changes in the structure of the economy over the period 1950 to 1970 are analysed in Table 4. This suggests that only in three countries (Costa Rica, Ghana and the Syrian Arab Republic) has the manufacturing sector increased its contribution really significantly - that is by 25 per cent or more over a period of 20 years.

Statistical data on employment in the manufacturing sector is analysed in Table 5. Between 100,000 and 300,000 persons are employed in the manufacturing sector in most of the 10 countries. Between one-third and two-thirds of the employment provided by the manufacturing sector is in industries employing more than 10 persons. Most of the industrial establishments are small-scale; the number of manufacturing enterprises employing more than 100 persons exceeds 50 in only two countries (Ghana and Uruguay).

Value added in the manufacturing sector in 1970 was US\$150 - US\$350 million in seven countries (see Table 6). It was much smaller in Bolivia and Haiti (the two countries with per capita income in 1970 of less than US\$200) and in Guyana (the only country with a population less than 1 million).

II. Preconditions for, and obstacles to industrial development

The 10 smaller countries whose experience will be considered at the meeting were at different stages of economic and social development in 1950. Uruguay was already at a fairly advanced stage; in Haiti the industrialization process had barely started and in 1970 the country was classified as one of the hard-core least-developed countries.

(A) Constraints imposed by the small size of the domestic market

In most countries, the low purchasing power of consumers has been a major obstacle to industrialization; the levels of wages have been low (particularly in rural areas) and the distribution of income and wealth has been uneven. However, population has increased rapidly (doubling between 1950 and 1970 in some countries) and per capita income has also increased. The domestic market has therefore been large enough to support a broad range of industries producing consumer goods.

Only in the case of Uruguay and Costa Rica were import-substitution opportunities completely exhausted. A more serious effect was the small size of plant chosen and its impact on cost and efficiency. Because of the small market, many industries were developed as a single monopoly supplier; in many cases, foreign competition was not permitted as an alternative to non-existent internal competition; as a result, there was no incentive to increase efficiency and monopoly profits could be earned except where the Government imposed price controls.

To help overcome this constraint, some of the 10 small countries joined sub-regional groups which created a larger market area on which to base further industrial development. Uruguay obtained little benefit from joining the Latin American Free Trade Area (LAFTA) in 1960; Costa Rica derived considerable benefits from joining the Central American Common Market (CACM) in 1962; Bolivia and Ecuador anticipate benefits from joining the Andean Group in 1968, where they were given special concessions that recognised their less-developed status; Guyana is beginning to derive some benefit from the Caribbean Free Trade Area (CARIFTA) formed in 1968 which has become a common market in 1974. Iraq and the Syrian Arab Republic derived some benefit from associations with other Arab countries but so far, more for exports of agricultural products than for manufactured goods. Only in the case of Costa Rica have these associations so far led to the extensive use by local manufacturing enterprises of opportunities to supply the markets of neighbouring countries.

(E) Transport and communications; power and water supplies;
industrial sites

In most countries, transport and communications were inadequate in 1950; improvements have been made in the last 20 years and in the majority of countries the major urban centres are linked by adequate roads; but a secondary road system extending to rural areas remains inadequate in most countries. As a result, there has been inadequate integration of the rural sector into the national economy and a marked tendency for industry to locate in the major urban centres.

Insufficient and unreliable supplies of electric power and water have discouraged the establishment of new industries in several countries. Although progress has been made towards larger and more reliable power supplies from a national interconnected power system, a high proportion of existing industrial enterprises still generate their own electric power^{1/}. Availability of power and water has influenced the choice of industrial sites towards existing urban centres and acted as an obstacle to the development of small industries in rural areas. A shortage of water has been critical in one country (Haiti).

Some countries have developed industrial estates or industrial zones to overcome these difficulties and spread the location of industry to new areas. In other countries, where industry is heavily concentrated in the capital city, control over the location of industries has been improved through municipal planning. In general, the opportunity to promote industrial development by providing ready-made industrial sites appears to have received too little attention; in particular, no country has developed special facilities for export-oriented industries.^{2/}

The ways in which infrastructure has been developed in the past two decades have tended to concentrate the benefits of development in a few urban centres. This finding is surprising since one would expect that for countries with smaller population (less than 10 million) it would be easier to spread the benefits more widely.

1/ For example, one-half of power consumed by industry in the Syrian Arab Republic and one-third in Ecuador.

2/ The first meeting noted the success of Barbados, Mauritius and Singapore in attracting export-oriented industries with ready-made sites on industrial estates; Cyprus had so far developed export-oriented industries without providing such facilities.

C. Use of domestic raw materials:

In several countries, industrialization has depended extensively so far on industries using domestic raw materials. Although this partly reflects the pattern of demand (food, housing and clothing), these industries were also easier and perhaps more profitable to develop. However, in several cases the development of local raw materials (and hence industries using them) has had to be postponed until transport access was developed.

Most countries have avoided placing obstacles on imports of raw materials needed by the industrial sector, but some countries facing critical balance of payment difficulties have subjected such products to import licensing. The high cost of transport in land-locked countries (e.g. Bolivia) has discouraged industries relying extensively on imported raw materials.

D. Human skills and entrepreneurial initiative

Lack of qualified manpower has been the main constraint on industrialization in most of the 10 countries; the principal exception is Uruguay with a well-educated, partly immigrant population. Considerable progress has been made in many of the 10 countries in the last 20 years but there remain to varying degrees shortages of senior ^{and} middle management, engineers, accountants, supervisors (foremen) and skilled workers. Whilst the Government in some countries has recognised this as a critical area for action, in others (e.g. Haiti) there is little realization of this particular obstacle to continued industrial development.

Entrepreneurship has been provided in many countries by importers who turned to producing locally the product they imported. Another source has been the transformation of artisan and small-scale enterprises to larger operations. Ownership has usually been confined to families and small groups of investors and in the absence of a capital market promoting wider ownership of industry, it has been difficult to finance large-scale enterprises. In some countries (Iraq and the Syrian Arab Republic, for example) the Government has taken responsibility for initiating all or most new large-scale enterprises; in other countries there has been extensive (some authors say excessive) reliance on foreign investors. Domestic entrepreneurship has been limited to smaller scale

enterprises and has not provided as large a part of the thrust to industrialise as is desirable if industrialization is to become a self-generating process.

E. Financing available to industry

Most of the 10 small countries lack a satisfactory institutional mechanism for mobilising domestic savings to provide the private risk, and loan capital for new industrial enterprises (both large and small). Available financing has typically preferred safer areas of private investment such as trading and real estate rather than manufacturing industry. Although institutions have been established to provide risk and loan capital to existing and new industrial enterprises in most countries, they have not all been successful in raising sufficient funds based on the intensive mobilization of domestic savings. The terms and conditions of loans from the commercial banking sector have not always been suitable for the promotion of fledgling small industrial enterprises; an institution that could provide finance under more suitable conditions (including an advisory extension service to loan recipients) required further development in most of the 10 countries.

III The economic and industrial development strategy followed

The development strategy of the 10 countries differ greatly. It is therefore difficult to draw general conclusions. The approach adopted in this section will therefore be to summarise some of the observations made by authors of the papers describing the experience of individual countries. The main emphasis will be on the industrial development strategy followed in the 1960s. Countries in which manufacturing increased slowly will be discussed first.

The slow growth of manufacturing output in Uruguay in the 1960s is attributed to lack of growth in personal incomes, stagnation of the agricultural sector, shortage of foreign exchange and failure to adapt policies to a situation where opportunities for import-substitution had been exhausted. The priorities established were too broad and policy failed to direct investment to areas where the country had a competitive advantage and where there was potential for further industrial growth. Inflation was endemic and there was a substantial flight of capital.

The slow growth of manufacturing output in Haiti in the 1950s and 1960s reflected the non-existence of an industrial development strategy. Although 50 potential new industries were identified in the development plan for the period 1964 - 74, only a few were implemented because of inadequate infrastructure, the shortage of trained manpower and inadequate arrangements for their financing. Reliance was placed on private domestic and foreign investors; the State's participation (either directly or indirectly) in implementing projects was rather timid.

The rate of growth of manufacturing output in Syria in the 1960s was moderate because neither the public sector nor private sector were able to fulfil the investment targets allotted them. The main thrust of industrialization in the 1950s came from local initiative in the private sector; in the 1960s it came from Government initiative. The growth of manufacturing output was slowest in the early 1960s when new investment was concentrated mainly on the expansion of existing industries. More detailed planning and larger investment resources contributed to faster industrial growth in the late 1960s^{1/ 2/}.

1/ For the two-year period 1970 - 72, an average annual increase of 13.7 per cent in manufacturing output was achieved.

2/ For the 1971 - 75 Development Plan, public sector investment is expected to reach 90 per cent of total new investment in the manufacturing sector compared with 70 per cent in the 1961 - 65 Plan.

The present policy of Ghana aims at greater self-reliance through the establishment of new industries in the State and joint private/State and private sectors. In the second half of the 1960s private initiative assumed importance again for the first time since the mid-1950s. Investment in the period covered by the 1964 - 70 Development Plan achieved the target level, but increases in manufacturing output were below the plan level^{1/}. Resource-based industries account for 60 per cent of industrial production and about 10 per cent of manufacturing output is exported.

Manufacturing output in Guyana grew considerably faster in the 1960s than in the 1950s. The 1966 - 71 Development Plan, the first after Independence, called for a special effort from the private sector and Government to get the economy moving again. Specific industrial projects were identified; the public sector began to implement some industrial projects as well as operating public utilities; later on the Government took ownership of some projects exploiting the country's natural resources.

Manufacturing output in Equador also grew more rapidly in the 1960s than the 1950s. The main thrust came from domestic private investment which was promoted by incentives granted to priority industries (selected from a list or by specific criteria prepared by the Government). In 1963 over 80 per cent of employment and 50 per cent of production originated in the cottage industry sector, with low productivity per worker; this has constituted one of the major problems of industrial development of the last 20 years.

Manufacturing output grew more rapidly in the Dominican Republic in the 1960s than the 1950s. Following the fall of the Dictator in 1961, industrial enterprises owned by the Trujillo family were transferred to the public sector. New industries were established by the private sector and foreign investors; they produced consumer goods - mainly processed foods and textiles - and materials for the booming construction industry. A large ferro-nickel plant was established. By 1970 sugar processing contributed 25 per cent of manufacturing output compared with 36 per cent in 1960.

^{1/} Over the decade, 1960 - 1970, they averaged 5.7 per cent per annum - compared with 6.3 per cent in the period 1950 - 1960.

Manufacturing output grew rapidly in Costa Rica in the 1950s and the 1960s. The main thrust has come from the private sector which has been guided by indicative planning of the Government and promoted by credit and other forms of incentive. Foreign investment has made a major contribution mainly in the form of joint ventures. Membership of the Central American Common Market opened up a wider market for many industries but adherence to sub-regional policy constrained the promotion of some other industries allocated to other countries.

Manufacturing output grew fast in Bolivia in the 1960s after a period of stagnation in the 1950s which followed the 1952 Revolution, nationalization of tin mines and agrarian reform. The main thrust has come from the private sector with a small group of entrepreneurs controlling many of the larger enterprises. Most of the potential industrial projects drawn up as part of the planning process have been implemented; the public sector had to implement some projects not undertaken by the private sector. The emphasis has been on agro-based industries, non-durable consumer goods. High transport costs and a shortage of foreign exchange (until oil was produced) acted as temporary constraints.

The following issues, which are examined in the papers describing the experience of these 10 small countries, will need to be considered by the meeting^{1/}:

- (a) was industrial planning successful in indicating priority areas and projects for new investment?
- (b) was the policy framework used adequately integrated with these plans to ensure their implementation?
- (c) was the development strategy sufficiently outward-looking and were sizeable exports of manufactured goods achieved?
- (d) did the policy framework promote appropriate use of capital-saving technologies and sufficient development of manpower skills?
- (e) was sufficient attention given to the industrialization of backward and rural areas?
- (f) were sufficient measures taken to develop a national capability to select, develop and adapt technology to suit the circumstances of the country?

^{1/} Discussion of the industrial development strategy at the meeting will not be confined to these issues which are faced by all developing countries; rather it is intended that discussion should identify the problems which are special to small countries and alternative ways to solve them.

IV. Industrial policies and measures used

Small countries face a difficult task when deciding what level of tariff protection to provide to local industry. If it is too high, inefficient high cost industries may be established; if it remains permanently at a high level or import controls are introduced, industry may earn excessive profits; if such protection is widespread its long-term effect may be to subsidize industry at the expense of agriculture. On the other hand, if tariff protection is set too low, opportunities to establish local production may be missed.

Few of the papers describing the experience of individual countries described in detail the level of tariff protection. The most explicit tariff policy was found in Iraq where import duties up to 15 per cent were charged on raw materials, 15 per cent to 50 per cent on other goods and 50 per cent to 100 per cent on luxury items. In Uruguay, tariff levels were 40 to 75 per cent for goods competing with local products and 150 per cent for luxury goods. In Costa Rica, tariff levels were established by CACM policy which in the 1960s added a surcharge of 15 or 30 per cent on many products and an economic stabilization tax of a further 30 per cent. Bolivia relied on import controls for some products. In Ghana and Guyana, tariff levels remained for the most part at levels set for revenue raising purposes and took little account of the need to promote industrialization.

The impression the reader gains, therefore, is that protection policy in almost all 10 countries has not been re-examined to see that it fits the goals of industrial development. Tariff levels have been raised to accommodate inefficiency and high cost producers; they have seldom been lowered to stimulate greater efficiency, lower costs, and to bring manufacturing enterprises to the point where they can compete in export markets. Where there has been no guiding principles for establishing levels of tariff protection, ad hoc decisions have started to create a structure of tariff levels which is far from uniform^{1/}; it gives too much incentive for some industries and too little for others such as those producing intermediate and capital goods and those

^{1/} The use of high levels of tariff, rather than excise taxes on locally-produced and imported goods, may have encouraged local production of luxury goods.

relying extensively on imported supplies^{1/}.

The impact of the tariff structure is modified in most countries by the granting of import duty concessions for imports of both (a) machinery and equipment and (b) raw materials and other supplies. Only in some countries, were these concessions granted for a limited period; but as a general rule the concession was administered so that it did not discourage the development of local industries supplying these products.

Tariffs and import controls were used to promote industry and curb the economy's demand for imports; as a result, the exchange rate was often neglected as a policy instrument and selling on the domestic market remained much more profitable than exporting. Some countries reimbursed import duties and local taxes incurred in producing manufactured goods subsequently exported, but the measures were too weak to compensate for the high costs of production which protection had permitted in most industries. The policy framework, then, encouraged an inward-looking pattern of industrialization even in countries where exporting was a declared goal.

Protection policies were the most influential in determining the price at which manufactured goods were sold in the domestic market; in most industries internal competition was not sufficiently strong to bring prices down. This was often the case in countries in which private ownership predominated, and tended to be the case in mixed economies using both public and private ownership. However, in economies where public ownership predominated, the State frequently exerted controls over selling prices; whilst this stimulated greater efficiency in some cases, its most frequent result was to leave the enterprise with insufficient funds for investment in modernization and expansion.

Taxation would have had an adverse effect on the promotion of industrial development in most countries, but for the extensive use of tax incentives^{2/}. Rates of taxation were as high as 50 per cent and few countries provided exemption for reinvested profits or lower rates of taxation for small enterprises. Tax holidays were the most common form of incentive offered,

1/ As the paper describing Uruguay's experience shows, the effective rate of protection on that part of the total manufacturing process carried out in the country can be much higher than the nominal rate of tariff protection, particularly where value added is low.

2/ The industrial and commercial sectors, where taxes are most easily collected, bore an excessive part of the burden of taxation.

providing full or partial relief from income tax for 5 years or, in special cases, up to 10 years. Where industrialization had reached a more advanced stage, such benefits were granted only to priority industrial projects or in the case of one country (Bolivia) only to enterprises locating in less-developed areas.

Only a few of the papers provide an evaluation of investment incentives. In Costa Rica, where reinvestment incentives are employed they appear to have contributed to sustained rapid industrial growth. They have probably helped substantially in other countries. But in one country (Uruguay) it is acknowledged that incentives have little effect if the investment climate is poor as a result of a failure of the development strategy as a whole. They were also less effective in another country (Haiti) where important preconditions for industrial advance did not exist.

Where the Government's policy accepted foreign investment, it was generally granted the same conditions as domestic private investment. However, policy was seldom explicit on the areas in which foreign investment was welcomed or on the terms and conditions it would receive; few countries enacted a Foreign Investment Law; in several countries, political changes led to drastic changes in policy which excluded foreign investment or led to nationalization of private enterprises owned by domestic and foreign investors alike.

The role of external contributions of technology is not discussed in detail in any of the papers. Yet it is a vital issue and perhaps one that can be more fully explored in the meeting itself where persons from countries which had adopted a very broad spectrum of different economic and social systems are present^{1/}.

In the last analysis, industrial policies and measures must be judged by their impact on the process of industrial development over a period of 20 years. There is evidence in the papers that both policy formulation and organization for its implementation has improved considerably in this period. The meeting might consider what have been the most striking

^{1/} Since this is a meeting of experts, participants express their own point of view; it is not assumed or expected that they necessarily represent the Government's point of view. What is required is an objective positive discussion of the various aspects of the industrialization process in smaller developing countries.

improvements and what factors lie behind the acceleration of industrial development in certain countries in the late 1960s and early 1970s.

The meeting may also consider whether industrial policies and measures have been well-adapted to achieve each country's social as well as its economic objectives. The distribution of income and wealth has not improved in some of the countries whose experience is examined and some authors have noted that the range of owners of industry has not broadened very much. Employment in the industrial sector is still small in most countries and it has been argued that low interest rates, duty concessions on imports of equipment and certain forms of tax incentive (such as accelerated depreciation) have provided disproportionate encouragement to labour-saving technologies. Finally even in the smallest of countries, development since 1950 seems to have benefitted mainly those who live in urban areas rather than the majority of the population.

V. Institutions and industrialization

Only some of the 10 countries prepared development plans in the 1950s and most of the papers acknowledge the lack of an industrial development strategy in this period. By the end of the 1960s most countries had formal planning machinery; in many countries, it was guided by a national council which exercised considerable political power.

A separate Ministry of Industry (or Industry and Trade) has been established in seven of the 10 countries; only the Dominican Republic, Guyana and Haiti appear to have not adopted this form of organization. Where the Ministry of Industry is technically competent (and politically powerful) it has contributed a detailed plan for the industrial sector to the national economic development plans. But the Ministry of Industry has not been strong in all countries, and a major reorganization of its functions has been considered (though not implemented) in at least one country. In Iraq and Syria, where most major projects were implemented in the public sector in the 1960s; the Ministry of Industry delegated control over the implementation and operation of projects to a number of agencies responsible for a group of enterprises in one particular sector or branch of industry. In the mixed economies of Ghana and the Dominican Republic and Guyana, state enterprises in different branches of industry were controlled by a single state holding company. In none of the countries, then, has the Ministry itself assumed direct responsibility for the implementation and operation of industrial enterprises.

In countries where the private sector implemented the majority of industrial projects, the Ministry of Industry and Trade exercised control either directly through licensing new investment projects and the imports of equipment they required, and/or indirectly through the granting of investment incentives. However, the Ministry of Industry and Trade was usually only in a position to recommend to the Ministry of Finance changes in the level of tariff protection. In Costa Rica and Ecuador, the Ministry has the special additional function of overseeing the role of industrial development in the economic integration programme with neighbouring countries.

In most countries, the national planning authority co-ordinates economic policy. In Ecuador, there is also an Inter-Ministerial Industrial Development Committee. But in other countries it appears that the machinery for co-ordinating policies affecting industry is less formal. Inter-departmental committees control the granting of investment incentives in some countries; in Ecuador and Ghana the authority to grant incentives has been delegated to a separate institution.

Several countries have recognised that an autonomous Industrial Development Centre (or Development Corporation) can intensify national efforts to prepare and finance new industrial projects; however, in all but a few of the 10 countries, such corporations appear to have lacked the technical competence and political backing needed to become a major force in the country's industrialization efforts.

The development of financial institutions specializing in providing long-term finance for the industrial sector has come rather late in some countries. However, one country (Ecuador) used five different financing institutions in the mid-1960s, including regional development corporations and a private finance corporation. Haiti has used revenue from levies on imports and exports to provide funds for investment by its Agricultural and Industrial Development Institute. Even where successful financing institutions have been developed, they seem to have relied less on external sources of funds for on-lending than industrial development banks in some larger developing countries.

Specialised ancillary institutions

Most countries have reached the stage of industrialization where it has proved useful to establish a range of specialised ancillary institutions.

Most countries have established an agency to introduce and monitor industrial standards. However, only a few countries have so far established one or more industrial research institutions and instead rely on government laboratories and university facilities to select and adapt technology to national requirements. The meeting might consider what special problems small countries encounter when establishing and operating these two types of institutions which are sometimes combined.

Some countries have established export promotion centres (or foreign trade institutes). But, apart from one in Costa Rica, they are not described as being strikingly successful so far. The meeting might consider whether

this is due to the failure to adopt policies strong enough to make selling in export markets sufficiently profitable rather than the operation of the promotion centre itself. A few countries have established investment promotion centres but no mention is made ^{of offices set up} /in developed countries to promote foreign investment. The meeting might consider whether the lack of importance attached to such promotion efforts reflected a lack of interest in foreign investment and external sources of technology in general or other specific reasons (such as lack of budgetary funds).

Most of the countries which have achieved faster industrial development have established (a) industrial training institutions to train the technicians and skilled labour required by manufacturing industry and (b) management development institutions to develop the skills of middle and senior level management. The meeting should consider which types of arrangements and institutions have been most successful as a basis for making recommendations which other small countries can consider.

The outline for studies of the experience of these 10 small countries asked whether a single Government agency had over-all responsibility to effectively promote and manage the process of industrialization. The impression which is that adequate institutional machinery exists in most countries to formulate an industrial development plan; however, national development plans have not been formulated sufficiently frequently in some countries and the plans for the industrial sector have not always been sufficiently detailed or sufficiently integrated with the planned growth of other sectors of the economy. Although the formulation and periodic review of national development plans provides an opportunity to review the effectiveness of industrial policies and measures in achieving successful implementation of the plan, this opportunity has not always been fully used.

The growing importance of industrial development has been recognised by the Government in most developing countries by making a separate Ministry, Department or other Agency responsible for industrial development. Although the Ministry is usually ultimately responsible for industrial development achievements, it must exert its influence in the context of broader economic and social policies and policies. The policy maker responsible for the management of the industrialization process in his country never has been completely free hand in determining the conditions and policies which directly influence industrial development; in some cases he is not always successful in winning support for the plans and policies

he feels necessary for sound industrial development; important decisions are influenced by political considerations and pressures; decisions which affect industrial development are often taken by other Ministries or Agencies. Acknowledging these realities, the meeting should consider what steps can be taken to improve the formulation and implementation of industrial policy in small countries.

The streamlining of institutional machinery is a direct concern of the Government. Whilst some of the 10 countries had a simple set of institutions concerned with industrial development, in other countries the most important functions affecting the establishment of new enterprises were administered by a range of organizations scattered throughout the Government structure and private sector. Only in a few countries could it be said that one single Ministry or Agency was spear-heading the drive to industrialize sufficiently strongly for it to have symbolic importance both within and outside the country.

The power of the Ministry or agency responsible for industrial development has not always increased in terms commensurate with the growing importance of industrialization's contribution to economic development. In some cases, the Ministry or agency has lacked an adequate number of technically competent staff; but in other cases, political support for new actions and policies affecting industrial development has not been forthcoming.

The difficulty of co-ordinating the efforts of a growing range of ancillary supporting institutions is acknowledged. The meeting might consider what institutional arrangements (such as broadly-based national committees on industrial development) have proved successful in co-ordinating the wide range of activities that experience shows that most countries need to promote and support industrial development.

Table 1. Some basic economic data on 10 small countries

	Population <u>1970</u> millions	GDP per capita <u>1970</u> US dollars	GDP <u>1970</u> billions	Annual increase in real GDP	
				<u>1960-70</u> per cent	<u>1950-60</u> per cent
<u>Faster growth economies</u> ^{1/}					
Syrian Arab Republic	3.0	220	1750	7.1 ^{2/}	2.0 ^{2/}
Costa Rica	1.72	570	1100	6.8	4.0 ^{2/}
Iraq	2.64	320	3000	6.5 ^{2/}	6.3 ^{2/}
Bolivia	4.93	170	870	5.6	0.2
Ecuador	4.05	220	1740	5.2	4.0
<u>Slower growth economies</u> ^{2/}					
Dominican Republic	4.06	350	1430	3.7	5.9
Guyana	0.74	280	370	2.9 ^{2/}	3.7
Ghana	6.24	310	2640	2.6	4.8
Haiti	4.56	110	520	1.6	1.0
Uruguay	2.88	820	2370	1.1	2.1

Source: Population and GDP - World Bank Atlas 1972
 Increase in GDP - United Nations Handbook of International
 Trade and Development Statistics, 1972, Table 6.2

1/ Annual increase in real GDP in 1960s greater than 5.0 per cent

2/ Annual increase in real GDP in 1960s less than 5.0 per cent

(a) 1960 - 69 (b) 1960 - 65 (c) 1953 - 60

Table 2. Estimated compound annual rates of growth of GDP and distribution of major sectors of the economy in 10 small countries

<u> Faster growth economies</u>		<u>GDP</u>	<u>Agriculture</u>	<u>Manufacturing</u>
Dorian Republic	1950 - 60 ^{1/}	1.7	-4.0	7.9
	1960 - 70	3.6	3.5	5.6
Costa Rica ^{1/}	1950 - 60	7.8	2.3	9.9 ^{2/}
	1960 - 70	8.5	7.2	9.8 ^{2/}
Iraq ^{1/}	1950 - 60			
	1960 - 70	7.7	8.3	7.8
Bolivia	1950 - 60 ^{2/}	-0.7	0.9	-1.3
	1960 - 70	5.5	-1.1	7.4
Ecuador	1950 - 60	4.2	4.4	4.7
	1960 - 70	5.4	2.6	7.1
<u>Slower growth economies</u>				
Dominican Republic ^{1/}	1950 - 60	3.1	5.1	3.2
	1960 - 70	7.3	5.7	6.1
Guyana ^{1/}	1950 - 60	3.8	7.6	2.3
	1960 - 70	5.2	2.7	7.7
Ghana	1950 - 60	3.3	6.7	6.3
	1960 - 70	2.7	1.2	5.4
Haiti	1950 - 60	1.7	1.3	0.6
	1960 - 70	1.3	1.1	2.6
Uruguay	1950 - 60	2.1	-0.1	3.9
	1960 - 70	1.4	1.7	1.5

Source: Papers describing experience of individual countries

1/ Based on estimates of GDP at current prices; estimates for other countries made at constant prices

(a) 1953 - 60 (b) 1952 - 60

(c) includes mining and quarries

Table 1. Contribution of major sectors to economic development in 10 small countries 1950 - 1970

percentage contribution to change in GDP

		<u>Agriculture</u>	<u>Manufacturing</u>	<u>Oil and Mining</u>	<u>Other sectors</u>
<u>Higher growth economies</u>					
Syrian Arab Republic	1950-60	(a)	27	-	73
	1960-70	20	0.5	5	60
Costa Rica*	1950-60	9	20	-	71
	1960-70	22	31	-	57
Iraq*	1950-60				
	1960-70	19	10	25	46
Bolivia	1950-60	17	33	1	
	1960-70	(a)	17	14	69
Ecuador	1950-60	34	15	-	51
	1960-70	23	22	-	55
<u>Slower growth economies</u>					
Dominican Republic*	1950-60	16	17	4	63
	1960-70	13	20	1	66
Guyana*	1950-60	22	4	20	48
	1960-70	40	14	32	46
Ethiopia	1950-60	54	21	2	23
	1960-70	22	48	(a)	30
Haiti	1950-60	38	4	7	51
	1960-70	32	10	5	55
Uruguay	1950-60	-	39	-	61
	1960-70	18	26	-	56

Source: Papers describing experience of individual countries

! The error decline in the contribution to GDP in this period; the contribution in other sectors is therefore measured as a proportion of the contribution of the remaining sectors which made a positive contribution to the increase in GDP.

* Based on estimates of GDP made at current prices; estimates for other countries made at constant prices.

Table 4. Contribution of major sectors of the economy to GDP in 1950, 1960 and 1970 in 10 small countries

	Agriculture (per cent)			Manufacturing (per cent)			Oil and Mining (per cent)		
	1950	1960	1970	1950	1960	1970	1950	1960	1970
<u>Faster growth economies</u>									
Syrian Arab Republic	37 ^{a/}	21	21	12	18	16	-	-	-
Costa Rica	41	24	23	14	17	19	-	-	-
Iraq		17	18		10	10		37	31
Bolivia	32	31	16	14	12	14	25	12	13
Ecuador	39	37	31	16	16	18	-	-	-
<u>Slower growth economies</u>									
Dominican Republic	21	18	16	17	17	18	2	2	2
Guyana	24	26	19	16	10	12	10	11	20
Ghana	49	51	43	21	21	31	0	5	3
Haiti	52	50	18	11	10	11	1	1	2
Uruguay	19	14	15	20	23	23	<u>b/</u>	<u>b/</u>	<u>b/</u>

Source: Papers describing experience of individual countries

a/ 1953

b/ mining included with manufacturing

Table 5. Employment in the manufacturing sector in 10 small countries

	Year of industrial census	Larger enterprises (a)	Smaller enterprises	Total	Estimate of total employment in industry (c)		Number of establishments employing more than 10 persons	Number of establishments employing more than 100 persons
					persons	year		
Fast-growing economies								
Syrian Arab Republic	1969	36,000 (b)	61,000	107,000	172,000	1971	363	42
Costa Rica	1974	8,000	15,000	23,000	105,000	1972	542	75
Iraq	1969	84,000	59,000	143,000	153,000	1970	1224	n.a.
Bolivia	1967	33,000	112,000	145,000	176,000	1972	414	44
Ecuador	1965	39,000	49,000	88,000	273,000	1972	779	72
Slower growth economies								
Dominican Republic	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Guyana	1969	n.a.	n.a.	n.a.	n.a.	1972	239	40
Ghana	1962	68,000	186,000	254,000	562,000	1970	1957	110
Haiti	n.a.	n.a.	n.a.	n.a.	65,000	1950	n.a.	n.a.
Uruguay	1958	100,000	69,000	169,000	267,000	1970	1485	200

n.a. information not available

(a) Larger enterprises - those employing more than 10 persons

(b) Employment in enterprises employing more than 100 persons

(c) Estimated based on population census which include self-employed, artisan industries, etc.

Source: Papers describing experience of individual countries

Table 6. Growth of manufacturing output in 10 small countries

	Value added in the manufacturing sector in US\$			Value added in the manufacturing sector in local currency			Base year for estimation of VA	Exchange rate(s) used for conversion
	1950	1960	1970	1950	1960	1970		
Uruguay	210	306	355	2376	3464	4030	1951	1961
Iraq		153	326		98	219	current	current
Ghana	86 ^{a/}	160	273	108	200	340	1960	1960
Ecuador	118	173	238	1922	3052	6040	current	current
Syrian Arab Republic	79	137	235	305	521	895	1963	1963
Dominican Republic	57	104	228	69	125	274	1970	1970
Costa Rica	25	67	173	185	477	1211	current	current
Bolivia	39	34	70	466	409	835	1958	1960
Haiti	29	31	40	146	155	200	1955	1955
Guyana	11	13	28	22	27	57	current	current

Sources: Paper describing experience of individual countries

1/ Domestic value added in manufacturing sector at current, not constant factor cost

2/ In most cases, the constant factor-cost approach to measurement has been used.

a/ 1953

Table 7. Contribution of exports of manufactured goods to total exports

(US\$ millions)

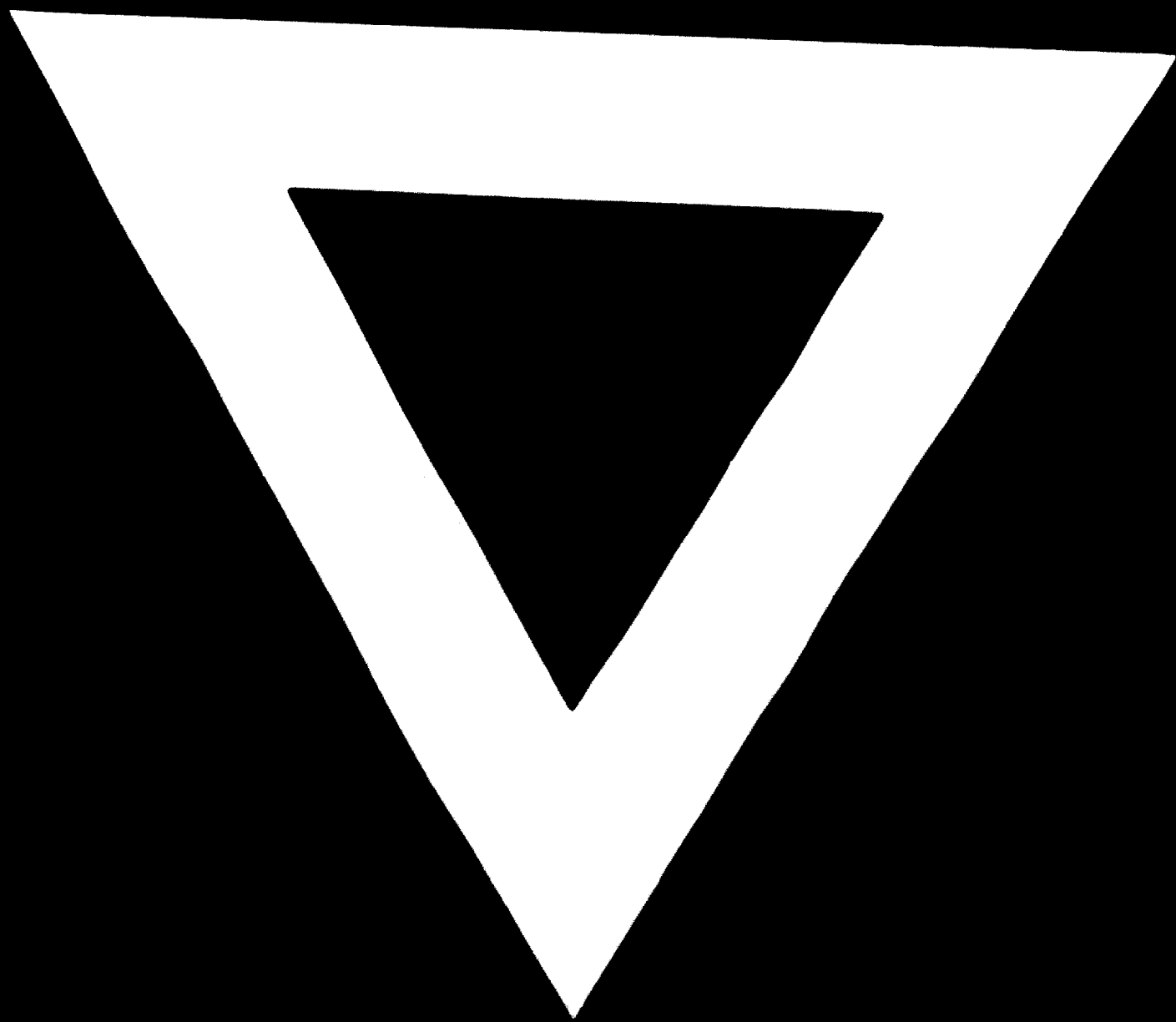
	Merchandise Exports			Exports of manufactured goods		
	<u>1950</u>	<u>1960</u>	<u>1970</u>	<u>1950</u>	<u>1960</u>	<u>1970</u>
Bolivia	93	60	231	0.4	0.5	1.5
Costa Rica			231			87.0
Dominican Republic	87	174	214	3.4	4.5	5.9
Ecuador		95	183		5.3	22.0
Ghana	155	232	467	8.8	18.8	80.0
Guyana	25	62	131		2.6	3.2
Haiti	30	38	37 ^{a/}	10.4	12.8	13.8 ^{a/}
Iraq	148 ^{b/}	780 ^{b/}	1240 ^{b/}	6.5	6.5	47.0
Syrian Arab Republic	105 ^{c/}	107	180	14.2	28.6	16.5
Uruguay	254	129	232	106.8	82.3	172.0

Source: Papers describing experience of individual countries

a/ 1969

b/ includes exports of crude oil

c/ 1953



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