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Meeting on Industrial Development Strategies and Policies in Small Countries

Vienna, 23 - 27 September 1974

# DRAFT REPORT 1/

1/ This document was prepared by the participants; it is a draft which will include further comments from the participants and then be subject to formal editing.

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## Preface

1. A Second Meeting on Industrial Development Strategy and Policies in Small Countries was held in Vienna, Austria from 23 - 27 September 1974. It was sponsored by the United Nations Industrial Development Organization (UNIDO)[1].

2. The Meeting was attended by senior officials from 8 small developing countries; they were nominated by their Governments, but participated in their personal capacities as experts on this subject. Studies of the experience of these 8 countries were prepared in advance for consideration at the Meeting[2].

3. The Meeting reviewed and compared the industrial development of these 8 individual countries since 1950. The way in which a country's development strategy and industrial policies had been adapted to the particular and changing circumstances of that country were noted. The participants then considered which common aspects of this experience were particular to most small countries and what aspects represent the common experience of both large and small developing countries[3]. Part I of the report summarises their conclusions on a review of experience over the past 20 years.

4. The participants agreed that a uniform model of industrial development strategy and policies could not be recommended for a small country because each country was at a different stage of development, each country

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1/ The First Meeting on this subject was held from 26 - 30 November 1973 it was attended by participants from 12 small countries: Barbados, Cyprus, Dahomey, Gabon, Gambia, Honduras, Ivory Coast, Lebanon, Mauritania, Mauritius, Paraguay, and Saudi Arabia.

2/ Participants from Bolivia, Costa Rica, Dominican Republic, Ghana, Guyana, Haiti, Iraq and the Syrian Arab Republic attended the meeting.

3/ For the purpose of this meeting, countries were classified as small if their population was less than 10 missions in mid-1970.

had different endowments of human, natural and financial resources, and each country faced different circumstances. The participants therefore agreed to concentrate their discussion on recommendations which could be applied in the future by the governments of small developing countries. The participants decided that in addition to considering action to be taken by individual small developing countries, industrial co-operation among developing countries and action to be taken by the international community would also be considered. Their conclusions and recommendations form Part II of this report.

5. The participants felt that the studies made for this meeting and the subsequent discussion provided a useful background for the identification of their specific needs for technical assistance and other services offered by UNIDO. They recommended that this link should be strengthened in the further development of UNIDO's activities in the field of industrial development strategy and policies.

6. The participants found that it was extremely valuable to exchange experience among the participants drawn exclusively from the smaller developing countries and agreed that this approach should be continued in the future to supplement larger meetings when countries of all sizes were represented.

7. The participants anticipated that their conclusions and recommendations will be of special interest to the Second General Conference of the UNIDO which will be held in Lima, Peru, in March 1975.

## PART I. REVIEW OF THE EXPERIENCE OF EIGHT SMALL DEVELOPING COUNTRIES

8. Industrialization played a more important role in economic development in the 1960s than in the 1950s in the eight developing countries whose experience was studied at the meeting. In only one of the eight countries did manufacturing output increase in the 1960s by more than 8 per cent per annum, the target set for the manufacturing sector in the first United Nations Development Decade. It also appears that many smaller developing countries have achieved less rapid industrial development than larger developing countries.

9. The participants attributed this slower progress in small countries to a number of constraints on industrial development of which one of the most important was the limited size of domestic market for manufactured goods. Although in most of the 8 countries the population doubled in the period 1950 to 1970 and national income increased, the purchasing power of consumers remained low, particularly in countries where there was an uneven distribution of income and wealth.

### Sub-regional economic co-operation

10. To help overcome this constraint, six of the countries joined sub-regional groups of countries. Although these regional agreements have not influenced the pattern of industrialization very significantly so far, regional industrial co-operation has become increasingly important in the early 1970s. Costa Rica is a member of the Central American Common Market created in 1960; Bolivia is a member of the Andean Group

1/ The other members are Guatemala, El Salvador, Honduras and Nicaragua.

established in 1966[1]; Guyana is a member of the Caribbean Free Trade Area which became the Caribbean Common Market and Community in July 1974[2]; Iraq and the Syrian Arab Republic are members of the Arab Common Market established in the mid-1960s[3]. Ghana has participated in discussions on the formation of a West African Economic Community held in early 1974[4]. The experience of each of these groupings differs; the degree of economic integration reached and the extent to which a complementary pattern of industrialization has been developed varies from group to group. The integration agreements have given rise to the establishment of appropriate regional operational organs and regional financing institutions. These regional institutions have recognized the need to promote industrial development and agreements have been concluded on a common policy on tariffs and investment incentives in many groups; joint industrial programming and the establishment of multinational industrial units to serve the regional market have been initiated in some groups.

Pre-conditions for industrialization

11. Most of the other constraints (discussed below) experienced by the eight small countries reflected the level of economic development reached rather than the small size of the country. Most of the small countries lacked adequate infrastructure in the 1950s but this was much less of

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1/ Chile, Colombia, Ecuador and Peru also signed the Cartagena Agreement; Venezuela joined later.

2/ The other members are Antigua, Barbados, Belize, Dominica, Jamaica, Montserrat, St. Kitts/Nevis, Anguila, Sant Lucia, St. Vincent, and Trinidad and Tobago.

3/ The other members are Egypt, Jordan, Kuwait, Sudan and Yemen Arab Republic.

4/ Other states taking part in the discussions included Dahomey, Ivory Coast, Liberia, Nigeria, Sierra Leone, Togo and Upper Volta.

an obstacle in the 1960s. Most of the small countries started industrialization by establishing industries that used domestic raw materials, but in some countries extensive reliance on imported supplies led to balance of payments difficulties which acted as a constraint on further industrialization.

12. A major constraint in all of the small countries was the lack of qualified manpower. Immigration made little contribution to the development of human skills in the eight countries; the formal educational system was not always well adapted to producing the human skills needed by the industrial sector. In the 1960s, the coverage of the secondary education system expanded, technological departments were established in universities and a much broader range of vocational, technical and industrial training institutions were established. Nevertheless, the supply of experienced managers, accountants, engineers, and craftsmen did not keep up with demand; in some countries this shortage was accentuated by a "brain drain" to developed countries.

13. Entrepreneurship in the private industrial sector has been provided in many countries by merchants and 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 the Government has taken responsibility for initiating all or most new large-scale enterprises; in other countries there has been some reliance on foreign investors. However, in most countries

domestic entrepreneurship has been limited to smaller scale enterprises and has not provided as large a part of the thrust to industrialize as is desirable if industrialization is to become a self-generating process.

14. At the start of the 1950s, most of the eight small countries lacked a satisfactory institutional mechanism for mobilising domestic savings to provide the private risk and loan capital for new industrial enterprises. Domestic savings have 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 were not all 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 small industrial enterprises; an institution that could provide finance under more suitable conditions (including an advisory extension service to loan recipients) was established in only some of the countries.

Industrial development strategy used

15. Participants noted that the first meeting had agreed (1) that the term "industrial development strategy" would be used to define both the objectives and the broad operational approach adopted by a Government to the long-term process of industrial development and (2) that the term "industrial development policies" would be used to describe the specific measures (or instruments) and institutions used to implement the chosen strategy[1/]. In most countries the formulation of industrial

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1/ It was also noted that the words "policy" in English, "politique" in French and "políticas" in Spanish were often used in a sense that would include both strategy and policies defined in the above sense.

development strategy and policies had been viewed as an integral part of the over-all economic development strategy and policies of each country. The choice of strategy was tailored to fit the social and economic system of the country; political considerations had been of paramount importance.

16. The industrial development strategy had been formulated in most countries at the time that the country's national development plans had been prepared. In some countries, the approach to ownership of industrial projects had changed when the social and economic system of the country changed; changes in political circumstances had also adversely affected implementation of the development plan at various times in some countries. Nevertheless, the group felt that indicative planning had helped promote industrial development; achievements might have been greater if the industrial plans had been formulated in a longer term perspective, and if they had been more ambitious and more clearly defined.

17. In most countries, the national development plan had provided some guidance on the type of industries to be established in the future. The type of industries chosen for priority development were influenced by the availability of natural resources within the country and the skills and aptitude of the available manpower. However, participants found that too little attention was given to the integration of industrial development with other sectors of the economy and to export possibilities.

18. The strategy of most countries was aimed mainly at greater self-reliance. Only in two countries did exports of manufactured goods

absorb more than 5 per cent of industrial production; in one country, the principal manufactured exports were processed timber; in the other, they were mainly exports to the neighbouring countries of a common market. The eight countries had established very few industries specifically to supply markets in developed countries; although two countries had attracted a few "enclave" industries, participants felt that such industries were often temporary and difficult to integrate effectively into the longer-term pattern of development of the industrial sector. Preference was therefore given to indigenous industries exporting products using local raw materials in most countries.

Industrial policies used

19. In small developing countries in particular, the establishment of new industries has required incentives of one form or another. In most countries, tariffs have been the principal form of protection; in several countries they were reinforced by import licensing which has been used to reorient the pattern of consumption to locally-produced goods.

20. The impact of the tariff structure on the establishment of new industries was 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 the latter type of 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.

21. Tariffs and import controls were used to promote industries 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 many industries. The policy framework, then, encouraged an inward-looking pattern of industrialization even in countries where exporting was a declared goal.

22. Tax holidays were the most common form of tax incentive offered, 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, only to enterprises locating in less-developed areas. Investment incentives appear to have contributed to sustained rapid industrial growth in some countries; however, they have had little effect if the investment climate is poor as a result of a failure of the development strategy as a whole or because important preconditions for industrial advance did not exist. Participants felt there was insufficient provision in the system of taxation in most countries to encourage reinvestment of profits and the expansion of small enterprises.

23. 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.

24. All the countries relied extensively on imported technology. The transfer of technology was not always adequate. The participants concluded that many of the countries had not always made optimum use of the contribution which modern technology available from external sources could make to their industrial development.

Institutions and Industrialization

25. Only some of the eight countries prepared development plans in the 1950s and participants acknowledged 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 Ministry of Industry and Trade) has been established in all of the eight countries; this Ministry usually contributed a detailed plan for the industrial sector to the national economic development plan.

26. Depending on the number of major industrial projects implemented in the public sector, the implementation and operation of projects was organized either by (a) a number of agencies responsible for a group of enterprises in one particular branch of industry or by (b) a single State holding company.

27. In countries where the private sector implemented the majority of industrial projects, the Ministry exercised control either directly through the licensing of new investment projects and the imports of equipment they required, and/or indirectly through the granting of investment incentives. However, the Ministry was usually only in a position to recommend changes

in incentives to other Ministries such as the Ministry of Finance. In some countries, the Ministry of Industry had the special additional function of overseeing the role of industrial development in the economic integration programme with neighbouring countries.

28. In most countries, the national planning authority co-ordinates economic policy. Several countries have an inter-Ministerial industrial development committee, but in other countries the machinery for co-ordinating policies affecting industry was less formal. Inter-departmental committees control the granting of investment incentives in most countries, although in some countries the day-to-day work was delegated to a separate institution.

29. Several countries have used an autonomous industrial development corporation to intensify national efforts to prepare and finance new industrial projects; however, only in a few of the eight countries has the corporation become a major force in the country's industrialisation efforts.

30. The development of financial institutions specialising in providing long-term finance for the industrial sector came rather late in some countries. Even where successful industrial 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.

31. Most of the eight countries have reached a stage of industrialisation 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, most countries have not so far established an industrial research institution and instead rely on government laboratories and university facilities to select and adapt technology to national requirements. Some countries have established export promotion centres (or foreign trade institutions). A few countries have established investment promotion centres but no offices have been set up in developed countries to promote foreign investment. Most of the countries which 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 levels of management.

32. The difficulty of co-ordinating the efforts of a growing range of ancillary supporting institutions was acknowledged by the group who felt that small countries should keep their system as streamlined as possible. The assumption that a new institution would solve a problem was seldom correct and adapting existing institutions to the new strategy was a preferred approach.

33. The growing importance of industrial development had been recognised in most of the eight small developing countries by making a separate Ministry responsible for industrial development. Although the Ministry was usually ultimately responsible for industrial development achievements, it has had to exert its influence in the context of broader economic and social objectives and policies.

PART II. CONCLUSIONS AND RECOMMENDATIONS OF THE PARTICIPANTS

34. The participants concluded from their review of past experience that it was not possible to outline a standard industrial development strategy and a set of policies that could be applied uniformly to all developing countries. They therefore decided to recommend some general guidelines (A) for action to be taken by individual small developing countries, (B) for future industrial co-operation among developing countries, and (C) for action to be taken by the international community.

A. National action to be taken by individual small developing countries

35. The group reaffirms the principle reiterated in the International Development Strategy that the development of developing countries and consequently their industrialization achievements depends mainly on their own efforts. For this reason emphasis in the recommendations is given to the action which should be taken by the individual countries on the national level. Due to the fact that situations and circumstances for industrial development differ from one country to the other, the group found it difficult to draw up recommendations which will be applicable to all small countries with similar emphasis and priority. Keeping this in mind, the recommendations for national action which were arrived at during the meeting can be considered as no more than guidelines of a general nature which each individual country will need to adjust to its own particular conditions.

36. The group recommends that the following points be taken into consideration when formulating and executing industrial development strategies and policies in small countries:

(a) to plan realistic targets for industrial development that are sufficiently ambitious for industrialization to make an increasingly important contribution to faster overall economic growth, and diversification of the structure of the economy, to the raising of the standard of living, and a better distribution of income, to the creation of better employment opportunities and expansion of manpower skills to increased foreign exchange earnings and reduced reliance on imports of manufactured goods;

(b) to formulate a long-term development strategy that clearly describes the broad pattern which industrial development is espected to follow, the role of private and public sectors in industrial development, and the type of industries and specific major projects most suited for the development of the country;

(c) to emphasise in the long-term development strategy plans to study, evaluate and develop the country's agricultural and mineral resources and create new industrial projects for processing these natural resources to supply the needs of the domestic and foreign markets; special attention should be given to creating a more integrated economy;

(d) to include in the long-term development strategy plans to establish in due time industries which will supply the manufactured goods and inputs needed by other sectors of the economy, particularly the agricultural, construction, and energy sectors in order to avoid excessive reliance on imported supplies;

(e) to elaborate specific targets for the planned development of particular branches of industry which are of special importance to the economy; the plans should consider the role and integration of small-scale industries in each branch;

(f) to elaborate a long-term strategy for manpower development with special emphasis on technical and vocational training; to assess in detail the future manpower requirements of the manufacturing sector and establish in due time a sufficient range of institutions to provide the skills required;

(g) to pay particular attention in the development strategy to raising incomes of the rural areas and to developing new industries in such areas in order to be able to supply them with manufactured goods they require on the one hand, and achieve the broad economic and social objectives on the other;

(h) to have the government play a more active role in providing and supporting infrastructure facilities necessary for continued industrial development, especially at the early stages of development. Such infrastructure facilities normally include transport and communications, power and water supplies, education and training facilities, and financial institutions;

(i) to consider when formulating industrial policies, the possible need for:

(1) providing protection for certain industries;

(2) providing incentives for export-oriented industries, especially those exporting non-traditional manufactured goods;

(3) maximizing employment and human resource development, bearing in mind the benefits of modern technological techniques;

(4) improving the existing geographical distribution of industry and further increasing the incentives to locate industries in less developed areas.

37. When considering the above strategies and policies, the expert group has recognised the need for special and concentrated attention to be paid by the least developed small countries to the following:

- manpower skills and training;
- essential infrastructure for industrial development;
- project identification, evaluation and implementation;
- financing of industrial projects

## B. Industrial co-operation among developing countries

38. During the 1960s, many small developing countries realized that some form of economic association with other developing countries was possible and could be beneficial. This realisation was based on the

similarity of the problems confronting these countries, on geographical proximity, on the existence of common cultural patterns and on the possibilities of economic complementarity. Acknowledging the difficulties which such associations must overcome and the natural restrictions which stand in their way, the group felt that the results achieved so far can be considered satisfactory in so far as they have made possible action which would not have been conceivable otherwise.

39. The group felt that these efforts will lead gradually to the institution of an integration process which will go beyond the original patterns based on geographical proximity. The similarity of problems which developing countries face could lead to the creation of an alliance which will include developing countries that are not geographically linked but who can play an important role in the process of development of the less favoured areas. In the very near future, it is likely that wider forms of association will be created, including countries which play a particularly important role in world affairs such as India and the People's Republic of China. Certain third world countries who possess important reserves of capital have begun to use a small part of them to promote regional development programmes. The group observed that such possible forms of association and co-operation are far from having been fully exhausted; on the contrary, effective consideration of them has hardly begun.

40. It is perfectly possible that the under-developing countries may adopt a more aggressive policy in regard to the conditions for selling

their products which will create suitable conditions for the transfer of capital and technology. The primitive idea that international association will permit an adequate expansion of markets and development opportunities for the developing countries is no longer accepted. the growth in the world population and the utilization of the earth's resources is making it clear to all concerned that it is in the interests of world economic equilibrium to develop the less fortunate areas of the world.

41. The group therefore agreed that

(i) most small developing countries need a joint approach to help overcome the obstacles posed by the small size of each individual country's domestic market;

(ii) small developing countries can and should substantially increase their collective self-reliance by increasing the present small share of their total imports of manufactured goods imported from other developing countries;

(iii) that the benefits to be derived from specialization in manufacturing production based on agreed plans of industrial co-operation should not be confined to sub-regional groups of neighbouring countries, but should extend to wider regional groups and trade between countries in different regions;

(iv) that in order to facilitate the participation of less developed countries, the more industrialized developing countries will need to make special efforts to import manufactured goods produced by the less-developed countries and in particular those identified as the least developed countries;

(v) that small developing countries, particularly the least developed countries, can and should benefit from an exchange of experience on various aspects of industrial development.

42. The group agreed that in order to achieve these goals it would be necessary to make regional industrial co-operation a more important goal of economic co-operation agreements among sub-regional groups and to ensure that the agreement establishes a suitable institutional mechanism and agreed

timetable for the implementation of the industrial co-operation proposed. More effective industrial co-operation could be promoted by a technically competent and dynamic sub-regional secretariat and an active financing institution. These institutions could help reinforce (but could not be a substitute for) the political will to develop effective co-operation in the field of industry.

43. Regional industrial co-operation should be implemented through (a) the conducting of joint surveys to identify potential industrial projects to supply the collective market of groups of developing countries, (b) the preparation and agreement of joint development plans for specific branches of industry (including the allocation of specific subsectors of these industries to individual countries), and (c) through discussion of the harmonization of industrial development plans prepared at the national level.

44. It was often desirable to develop gradually a closer harmonisation of industrial policies and national laws affecting industrial enterprises. A common approach towards foreign investment and the acquisition of foreign technologies could be helpful. Agreements to avoid the competitive bidding for new investment projects through unnecessarily generous tax and other forms of incentive provided by individual countries were beneficial to all concerned.

45. It was often necessary to make special provision in the economic co-operation agreement to safeguard the interests of less-developed member states. In the field of industry, special concessions to them could be included in the initial co-operation agreement. Provisions

should also be made for periodic reviews of the integration process leading to joint action to correct inequitable trends that result from the policy framework of the initial agreement.

46. Industrial cooperation between developing countries in different regions should be promoted through consultations on specific branches of industry that lead to an agreed basis for product specialization, a corresponding allocation of production, the removal of barriers to trade and creation of preferential treatment for the products involved, and where appropriate, long-term bilateral agreements. The Group felt that the present agreement among selected developing countries in different regions to reduce tariff and non-tariff barriers to trade among themselves in selected manufactured goods should be extended to other developing countries and a wider range of products.

47. Finally, the group felt that facilities for the exchange of experience among developing countries should be extended. It noted that world associations of industrial financing institutions and industrial research institutions had been established by UNIDO.

48. The volume and range of industrial manpower training offered by selected developing countries to nationals of other developing countries could usefully be expanded. A greater flow of technology and investment between developing countries could be promoted by expanding the range of bilateral agreements between developing countries on industrial and technical co-operation.

PART II. ACTION TO BE TAKEN BY THE INTERNATIONAL COMMUNITY

49. Since action by the international community can assist the small developing countries in implementing their industrial development strategy and policies, the group considered the assistance which bilateral donors of international aid and the United Nations agencies (for example UNIDO, the World Bank Group and the I.M.F.) have given to the developing countries in promoting their processes of industrialization. The group felt that there is urgent need for these donors and agencies to step up their assistance so that small developing countries could not only achieve their own growth targets and those set by the International Development Strategy but also put their economies on a more sustained basis.

50. The group identified several factors which have contributed to the unsatisfactory assistance extended to small developing countries by bi lateral aid donors and the United Nations agencies. In the first instance, in several cases, there was a lack of the political will by the donors to understand fully and be sympathetic towards the social and economic problems of these countries. Until very recently, there is some evidence that even the U.N. agencies gave preferential treatment in assistance to large developing countries. A more sympathetic attitude was needed even among some of these agencies.

51. Secondly, the methodologies used by the bi-lateral aid donors and the U.N. agencies in assessing the financial needs of the small developing countries have tended to be inflexible, inconsistent and unco-ordinated.

Very often small developing countries are faced with the problem of the investment gap which need a large injection of capital to reach the levels of growth of national income and domestic savings set by these donors. However, the experience of some developing countries (particularly the least developed ones) have shown that with their low (and sometimes negative) growth and saving rates, the aid donors have extended very marginal financial assistance. In this manner, the policies of the bi-lateral and U.N. agencies have tended to be inconsistent with the objectives which they themselves have set the small developing countries.

52. Moreover, some of the investment criteria and preconditions for investment (feasibility studies, institutional framework, infrastructural facilities etc. which themselves require skills and finance) which are usually stipulated by the donors for specific projects, tend to be unco-ordinated and unrealistic in terms of the overall development of the countries concerned, particularly where the donors are not prepared to help finance such preconditions.

53. The requirement that the small developing countries contribute local counterpart funds has affected the pace of the industrialization process in these countries. Several of the small developing countries, with their low levels of savings (both government and private), lack the necessary counterpart funds for the implementation of viable projects which are partially financed by the aid donors. Moreover, because of the tied commitment of scarce local counterpart funds to foreign aid,

several small developing countries have been unable to finance viable priority projects on their own.

54. Thirdly, the group felt that once there was evidence of concrete long-term development plans and projects in small developing countries, then the aid donors, including the I.B.R.D. should seek to extend financial assistance on a co-ordinated basis and on a "programme" rather than on a "project" basis. Alternatively, where the bi-lateral aid donors insist on financing industrial development on a "project" basis, the group felt that the project base should be sufficiently wide, so as to encourage a co-ordinated and meaningful development of the developing country's economy as a whole.

55. Fourthly, the group identified from the experience of some small developing countries that there has been the tendency by some developed countries to transfer out-dated and, in some cases, poor quality equipment, machinery and technological know-how to the small developing countries. Moreover, the high costs of royalties for patents and the stipulations of a confined export market for the product manufactured in the developing country also limit the growth of the manufacturing in some small developing countries.

56. Finally, the delay by the aid donors in the processing of loan applications and the disbursement of approved loans has also impeded the pace of industrialization in the small developing countries.

57. Taking into account these factors which have constrained industrial development in the small developing countries, the group therefore made the following recommendations:

(i) the developed countries should extend a greater political goodwill to the problems of industrialization in the small developing countries;

(ii) the developed countries and the U.N. agencies, particularly the I.B.R.D. and the I.M.F., should be more flexible in their lending policies and less rigid in their methodological concepts of assessing the investment requirements of the small developing countries;

(iii) external assistance by the developed countries and U.N. agencies should support the achievements of the social and economic objectives, based on concrete medium and long-term plans of the recipient countries;

(iv) each small developing country should review annually or bi-annually with the aid donors, either separately or jointly, its policies and programmes, including those for the industrial sector;

(v) the UNIDO should intensify its assistance to the small developing countries, particularly in the following fields:

(a) consultative services on the identification, preparation and implementation of industrial projects;

(b) distribution of a list of foreign investors prepared to invest in small developing countries and a list of investment opportunities offered by small developing countries;

(c) provision of technical data (including translations from foreign language technical and economic journals) on a regular and continuing basis rather than when requested; and

(d) selection and adaptation of industrial technology suitable for small developing countries.

[redacted]

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