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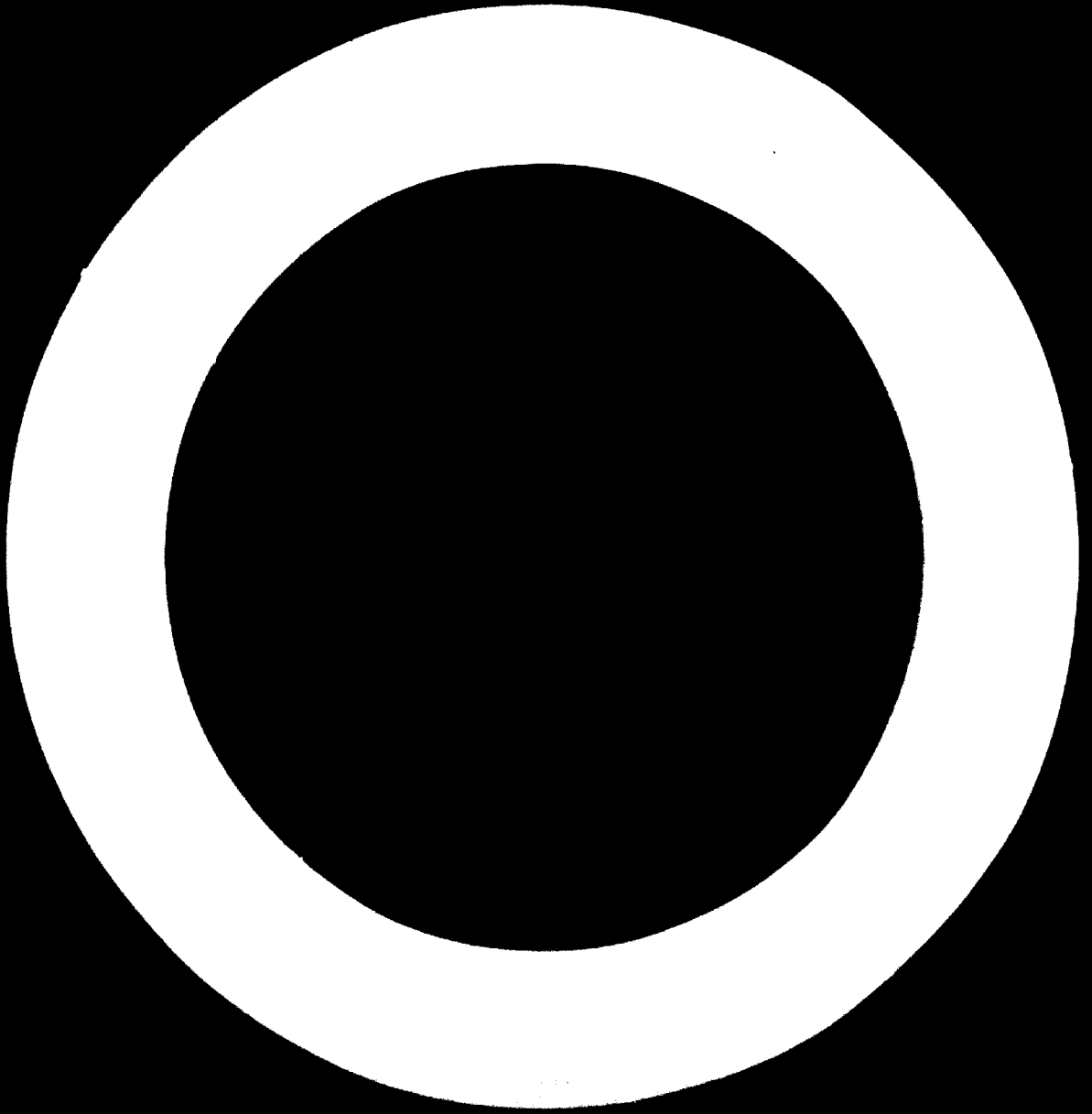
**OBSERVATIONS ON THE GENERAL PROBLEMS INVOLVED IN SELF-HELP ACTION WHICH SMALL AND
MEDIUM-SCALE INDUSTRIES OF THE DEVELOPED COUNTRIES MIGHT INITIATE FOR THE
BENEFIT OF COUNTERPART INDUSTRIES IN THE DEVELOPING COUNTRIES 1/**

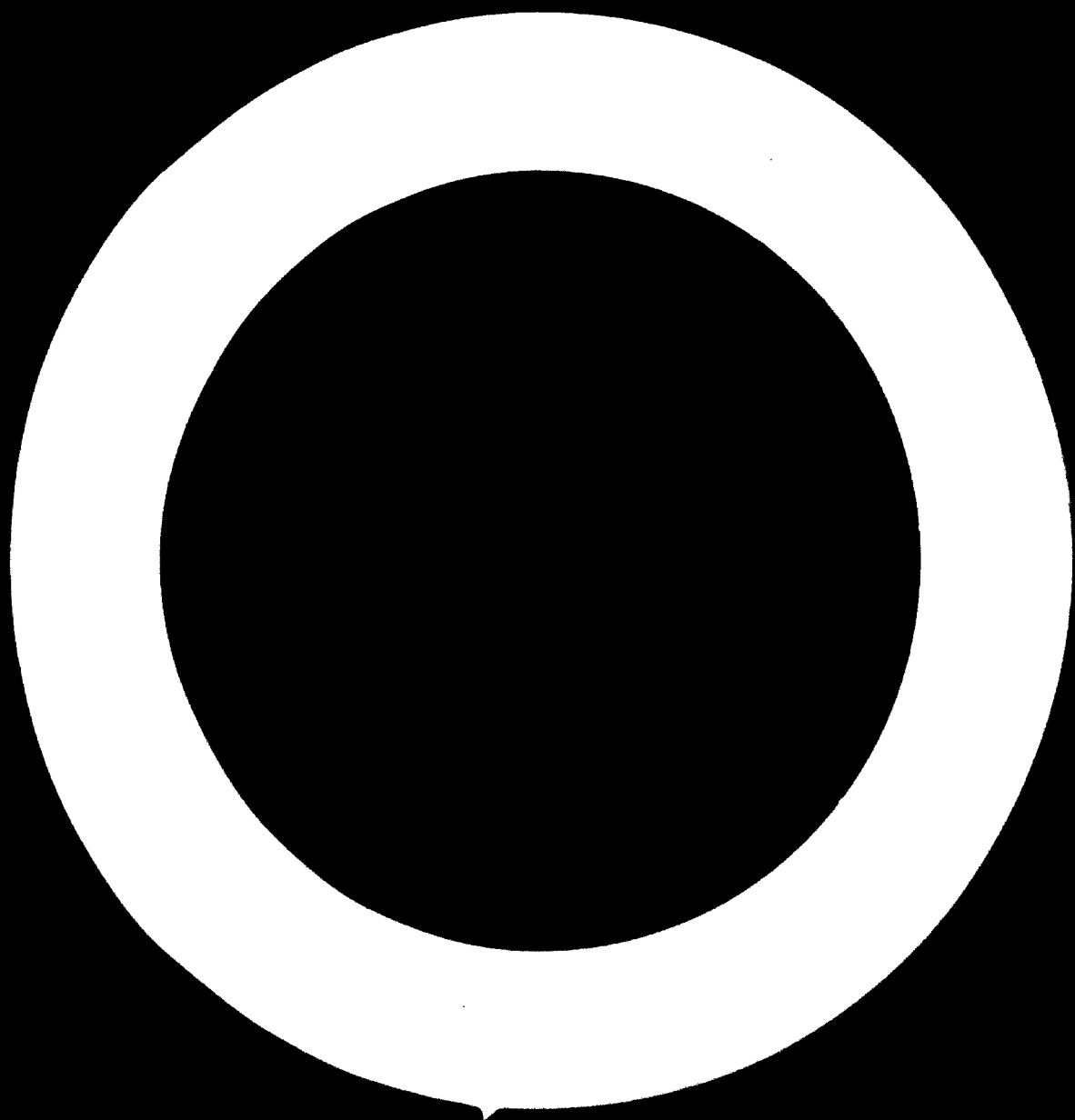
by

Robert Holtz*

* Vice-President, International Association of Crafts and Small and Medium-sized Enterprises (UIAFME), Paris, France.

1/ The views and opinions expressed in this paper are those of the author and do not necessarily reflect the views of the Secretariat of UNIDO.





INTRODUCTION

The process of establishing and developing small and medium-scale industries in the developing countries might be accelerated by the use of a self-help methodology provided by the small and medium-scale industries of the developed countries for similar industries in the developing nations.

1. It should be noted, by way of introduction, that such special action will gain in effectiveness to the degree that the country receiving the help has already established a general policy conducive to progress by small and medium-scale enterprises. There is no need to develop this point, which has already been dealt with in numerous papers, including the following:

From the Development Centre of the Organization for Economic Co-operation and Development: "Collective action for the development of small and medium-sized enterprises in Europe", March 1967 (CD/RE/PM - 67-3), 61.004, and also the "Seminar on the role of small-scale industries in the transfer of technology", Schloss Hernstein, Austria, July 1973.

From UNIDO: The collection of documents prepared for the seminar which was held from 29 May to 3 June 1972 in Dublin on the domestic marketing of small industry products in developing countries, and in particular the basic document id.72-2587.

From the European Economic Communities: The collection of documents included in the records of the Study Days organized by the EEC Commission (Directorate-General for External Relations) regarding a meeting between members of the Board of the Andean Pact and the European industry representatives of the Liaison Group for the European Engineering Industries (ORGALINE) (February 1973, Brussels), with special attention to annex 1, "Description of the products covered by the programme".

From the International Labour Office: "The value and methods of transferring European experience in the development of crafts to the countries of French-speaking Africa" (Inter-African Symposium on the Development of Crafts, Dakar, October 1971).

By the authors: For the Asian Productivity Organization, "A critical essay on the effect of government policies on the situation of small and medium-scale enterprises", May 1972. For co-operation aid within the French bilateral framework "Draft programme for the development of action in the area of international industrial co-operation for small, medium or medium-large enterprises".

2. Self-help is a technique for assisting enterprises and follows rules varying according to the size of the business in question. When this kind of assistance is provided by small and medium-scale industries in developed countries to similar industries in developing countries, it takes on certain particular features which it will be the purpose of this paper to examine.

Our organizations for small and medium-scale enterprises propose to state the problems in this area and then to outline solutions to them, emphasizing the possible role of the international organizations in endeavouring to solve them.

I. THE PROBLEMS

The problems are technical and human in nature.

A. The technical problems

Generally speaking, self-help is indissolubly linked to the machinery for the transfer of technology.

In terms of the subject before this meeting, it is clear of course that comments regarding transfer-of-technology techniques must relate only to their application in small or medium-scale enterprises.

1. Definitions and general observations

It will be useful to consider the question in turn from the point of view of the initiation of a transfer of technology by a small or medium-scale industry in a developed country, and of its reception by a similar industry in a developing country.

There are several factors to be analysed:

- (a) Initially, a study is made for the purpose of selecting areas of activity that might lend themselves to a self-help programme in a given country; for example, small hollow-ware manufacturing, surface treatment, mechanical operations, repair, manufacturing of ordinary furniture, firms specialising in interior work in the building trade, etc.

This selection must be made on the basis of two criteria:

The specific needs of the developing country with regard to small-scale industry;

The level of industrial development already reached.

Studies of this kind have already been carried out in a relatively large number of developing countries and may serve as a basis for such preliminary analyses.

- (b) The next step, in the small or medium-scale industry of the developed country, is to divide each of the activities into a number of "production process segments".

Then, the absorption and integration capacity of the small and medium-scale industry in the developing countries is determined, in the case of each segment. It does not follow that this segment-by-segment integration will necessarily follow the manufacturing process adopted by the originating industry of the developed country in the raw-material-to-finished-product chain. It may be that the receiving enterprise (the small or medium-scale industry in the developing country) will be able to undertake the manufacture of only a few - or perhaps even one - of the intermediate segments.

- (c) Finally, this analysis must be taken in the widest sense and must not be limited to the manufacturing process, in the strict sense of the term. In fact, it was only for ease of presentation that the manufacturing phase was chosen to illustrate this segment-by-segment method.

In point of fact, the total transfer-of-technology process is one that involves all aspects of enterprise management: purchasing of raw materials, the manufacturing process, administrative and accounting methods, internal and export marketing policies (advertising, public relations, promotion, distribution system, etc.), and especially studies into motivation, markets, economic factors, and the like.

In sum, each activity consists of a series of intricately interlinked process segments which are capable of identification and, potentially, of transfer.

2. Practical means for ensuring the best conditions of transfer

- (a) The preparation of schematic diagrams showing the segmentation of technological processes by branches.

It will be the task of the international organizations to undertake the development of standard diagrams for activities whose introduction in a developing country, depending on the level of industrial development attained, has shown itself to be desirable.

- (b) Studies on reducing the time taken to achieve technological progress

It will be necessary to prepare studies tracing the entire history of the technological evolution of those branches in which the transfer of technology can be most easily carried out. These studies should show the possible causes of differences in development throughout the cycle which have necessitated adjustments whenever the non-availability of a certain material or the ignorance of a certain technical procedure dictated the temporary abandonment of the industrial production of the product in question.

1/ One might take as an example the slow development of the rotary piston engine, which, although discovered as early as 1900, did not go into industrial production until the 1930s because of the absence, during the intervening period, of the necessary heat-resistant metals, proper lubricants, production techniques, the right kind of fuel injection systems, etc.

An effort should then be made to plan ideal lines of development capable of shortening technological progress in the developing countries by a few years, or even decades.

B. Human problems

To an even greater extent than technical considerations, the human factor is decisive in self-help efforts.

In this connexion, unlike the self-help action promoted by large enterprises, which can assign or even specially train skilled personnel in the necessary techniques, small and medium-scale industries can offer no more than the following:

Assistance by the owner, who will rarely be able to find the necessary time; or

Assistance by a few foremen, whose services the enterprise will be reluctant to lose for even a very short period of time.

We might add that there is no guarantee that either the owner of the enterprise or his foremen will have a gift for teaching or even the adaptability necessary to ensure the success of a technical co-operation mission.

These considerations will suffice to demonstrate the need to find special ways of supporting human efforts in technical co-operation projects mounted by the small and medium-scale enterprises of developed countries. To this end, it would appear necessary to establish a corps of specialized consultants or "self-assistance officers".

II. THE SOLUTIONS - THE ROLE OF THE INTERNATIONAL ORGANIZATIONS

On the basis of more than thirty-five technical co-operation missions dealing with the development problems of small and medium-scale enterprises in both the developed and the developing countries, the author is convinced of the pressing need for the use, particularly in the area of self-help, of new machinery better suited to the real requirements of small and medium-scale industries that give and receive assistance.

This new machinery should be promoted by the international organisations at three levels:

A. At the methods level

In the first part of this paper it has been shown how the concept of the "production segment" was further developed so as to make possible the piecemeal transfer of technology tailored to the potential of the recipient small or medium-scale industries in the developing country.

The logical consequence is to work out a system for genuine and personalized transfer of technology giving maximum efficiency to the self-help operation.

The role of the international organizations in this effort is decisive at the stages of general study, experimentation, and application.

B. At the level of the human agents involved in practical self-help work

An indispensable condition for the provision of self-help by the owners - or their assistants (primarily the foremen) - of small or medium-scale industries in developed countries is the existence of "self-assistance officers". Such officers should be specialists in their field of activity in the developed country or else indigenous instructors in the developing country with excellent knowledge of the industrial situation and insight into the attitudes of the local enterprise managers receiving the assistance.

This is another area in which the international organizations could be of assistance by carrying out studies to determine how teams of self-assistance officers might be formed, for subsequent assignment to specific programmes.

C. At the level of pooled operations which would have to be undertaken to offset the handicap represented by the limited size of the small or medium-scale industry

1. Preliminary creation of common service pools by the small and medium-scale industries in the developed countries

For reasons which have already been discussed and which have a material bearing on the problem, the small or medium-scale industry of the developed country will in most cases be unable to provide by itself the supplementary services which make up what might be called indispensable strategic support.^{2/}

2. National or European pools

For this reason, it will be found necessary, as a preliminary measure, to form a pool of common services, which will probably be at the national, regional or (if the enterprises involved are located in Europe) at European level and whose programme of pre-planned action will include self-help measures which might serve as a basis for implementing the international industrial co-operation policy selected for the group.

^{2/} Travel by senior officials of the enterprise to the assisted country, preliminary market studies, dispatch of plant foremen to provide instruction in shop practices or know-how, and the like.

3. Joint action and industrial co-operation by one or more small or medium-scale industries in developed and developing countries

When a large enterprise enters the field of international industrial co-operation, it may do so by establishing in a developing country a joint venture with an existing local company. This results in taking out an interest in the company and sharing in its capital.

In the area of international industrial co-operation between small and medium-scale industries, particularly when administered through the kind of pooling arrangement described above, it is very rare that the co-operation can take the form of the establishment of a joint venture. Owing to the extreme complexity of this type of co-operation implementation by the small and medium-scale industries in developed countries is easier if pooling arrangements have been made first.

The reader will thus appreciate how essential - one might almost say, how imperative - it is that there be preliminary action by small and medium-scale industries in the developed countries to make structural adaptations if these industries are to undertake further self-help programmes under auspicious conditions.

Whatever the formula used - individual action or preliminary pooling - a few remarks are in order regarding the various procedures which are available.

The organization of special missions for study of, and introduction to, the techniques of international industrial co-operation and self-help; establishment of contacts with counterpart industrial entrepreneurs in developing countries

A new type of mission might be organized. Interdisciplinary groups of industrial entrepreneurs (about twenty to a group) might be formed to travel to selected countries where they could be given a general on-the-spot instruction in the techniques of international industrial co-operation and self-help.^{3/}

Of course, such local organizations as operate in support of the business community - special agencies, where they exist (particularly in the form of centres providing assistance to small and medium-scale industries), chambers of commerce, and other such institutions - would be called upon to co-operate closely in the preparation, organization and technical follow-up of the mission.

^{1/} This kind of instruction could, moreover, be given at the same time to pre-selected local industrialists who would function as the group's counterparts.

In France, the Service for Economic Study Missions Abroad (Service des Missions d'Etudes Economiques à l'Etranger) of the CCFME⁴ which has twenty-five years of experience in providing services of this kind, organizes such missions in a number of developing countries. At a one-week on-the-spot information and introductory seminars, head of enterprises are familiarized with the methods and available facilities in the area of international industrial co-operation. At the same time, through the assistance of local agencies, they are introduced to counterpart industrial entrepreneurs, with whom they endeavour to conclude co-operative agreements. This action must be supplemented by assistance from specialised consultants⁵ recruited from the overseas-based senior staff of large companies who are familiar with the problems peculiar to the developing countries. These consultants can thus advise the enterprises engaging in such industrial co-operation.

This kind of assistance by experienced consultants must be provided in close liaison with the self-help officers.

In this connexion, whereas the services of experienced consultants should be paid for by the country in question with some contribution, even if only a modest one, by the enterprise, the cost of the services of the self-help officers should be borne by the international organizations.

With regard to the financing of the practical aspects of co-operation (the making available of technology, patents or know-how, and possibly reciprocal participation), funds might be sought from local sources of finance, the investment of industries in the developed countries being limited, as far as possible, to intellectual inputs.

⁴ General Confederation of Small and Medium-Scale Enterprises (Confédération Générale des Petites et Moyennes Entreprises), 18, rue Fortuny, 75017 Paris.

⁵ Experienced consultants.



76.01.16