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EXPERIENCES OF HUNGARIAN INDUSTRIAL CO-OPERATIVES  
UTILIZABLE IN THE DEVELOPMENT PROGRAMME OF SMALL-SCALE PLANTS  
IN THE DEVELOPING COUNTRIES WITH SPECIAL REGARD  
TO MUTUAL AID PROGRAMS <sup>1/</sup>

by

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<sup>1/</sup> 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. This document has been reproduced without formal editing.

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There are some 1100 industrial co-operatives in Hungary which employ more than 300 thousand workers. The National Council of Industrial Co-operatives is a business federation of the Hungarian industrial co-operatives which maintains wide-spread international relations with both the industrialized and developing countries, as well as with the co-operative bodies of the socialist countries.

The National Council of Industrial Co-operatives is a member of the International Co-operative Alliance and the ICA Auxiliary Committee of Workers' Co-operative Productive and Artisanal Societies. It established chiefly bi-lateral relations with the developing countries in the framework of which Hungarian advisers are sent to the developing countries, and delegations of specialists arriving from the developing countries are received in order to ensure the exchange of experience in the field of co-operative organisation and management.

The so-called industrial co-operatives may presumably obtain a prominent role in the network of small-scale and average-size plants to be evolved and broadened in the developing countries. In this respect, the competent organisations of the "Third World" countries may rely heavily on the assistance of the regional offices of the International Co-operative Alliance functioning in Eastern Africa, Moshib /Tanzania/ and in New Delhi, India. Judging from the requests received by the London-based ICA headquarters, it would be possible to make use of the on-the-spot assistance of lecturers and specialists from European countries with a developed network of industrial co-operatives, Hungary among them, involving the regional offices and, possibly, UNIDO financial contributions, which would make it possible for the interested countries to get acquainted with the European experiences in the field of industrial co-operative movement, and with the pre-requisites for establishing technical, economic and co-operative co-operation.

Seizing the opportunity, let us attract the attention to the Warsaw-based Industrial Co-operative Development Centre functioning in the framework of the Polish Central Association of Labour Co-operatives, whose principal objective is to assess both the requirements of the developing countries and the possibilities of the developed nations, and to bring the partners together in order to promote the industrial co-operative movement. The Warsaw-based Centre is also sponsored by the International Co-operative Alliance and the ICA Auxiliary Committee of Workers' Co-operative Productive and Artisanal Societies. In this framework, the Hungarian industrial co-operatives are also ready - in conformity with their possibilities - to participate in the Centre's work and to examine the possibilities of co-operation on the basis of the requests received through the Centre.

To take a concrete example, in September this year under the auspices of UNIDO and in co-operation with the Polish Central Association of Labour Co-operatives we received a delegation of leading specialists of Central American, African and Asian co-operatives with the view of providing information on the organisational structure of the Hungarian industrial co-operative movement and exchanging experiences. In the framework of bilateral relations, we welcomed an Iraqi, two Syrian, an Egyptian and Yeomani delegations this year in order to explore the possibilities of broadening co-operation. This January, we have signed average-term co-operational agreements with the Iraqi General Co-operative Alliance and the Syrian Association of Artisanal Societies on the establishing and deepening of co-operative and economic relations.

Lively interest is manifested towards the complete smallscale plants supplied by the Hungarian industrial co-operatives and delivered through HUNGAROCOOP Hungarian Co-operative Foreign Trading Company. These are small and average-size plant units which require relatively restricted investments and operate profitably within a brief span of time enabling their foundation

and development in a co-operative form. Not only do we deliver these small-scale plants, but we also participate in their installation, inauguration and training of the local workers both in the interested developing countries and in Hungary. Among these complete small-size plants let us mention the units producing ceramics, woodenware, furniture, metal ware and textiles which were delivered, among others, to Viet-Nam, Mongolia, Nigeria, Yeoman and Zambia. With state appropriations or U.N.O. aid provided for acquiring these small-scale plants, it would be possible to establish a network of sample co-operatives enabling the specialists of other developing countries to study them in the local context.

We are ready to take part in the carrying out of such a programme and in the elaboration - upon request from a given country - of the development programme of small-scale plants in that country. In 1970, the National Council of Industrial Co-operatives together with TESCO /Organization for International Technical and Scientific Cooperation/ sent a delegation of specialists to Tanzania with the view of working out the development programme of small-scale plants in this country; the English-language text of the latter is attached to the present paper.

According to our experiences, co-operative solidarity is in operation as one of the main principles of co-operative movement making it possible, among others, to lend a helping hand to the co-operatives that are in a bad predicament and to finance the development of the well-run co-operatives. We shall dwell on the organisational framework of all this in the ensuing exposition.

Special mention should be made of the role the Hungarian industrial co-operatives play in servicing the population. In Hungary, some 50 per cent of these services within the socialist sector are provided by the industrial co-operatives. We are ready to share our experiences in this domain, as well.

The economic structure of the developing countries is rather agricultural than industrial. Agricultural production and processing of the agricultural products may also be associated

with the foundation and development of small-scale plants. In this field, taking into account the step-by-step approach, the above-mentioned targets could be expedient to be materialized by the following stages:

- a./ the creation of possibilities of - at first - initial, and, later, of an increasingly complete local processing,
- b./ the construction of processing plants in which it would already be possible to evolve a number of forms of industrial activities in order that the workers earlier employed in the agriculture on an individual basis may acquire collective workshop experiences,
- c./ the training of managers for the processing plants so that they could cope with the more exigent work and management in industry, the training of local managers with special regard to further development /in most of the cases/ cannot be solved locally due to the lack of the basic conditions for training and development: therefore it would be expedient to make use of the assistance of international organisations by way of grants and long study-tours,
- d./ it is also proper to make use of foreign specialists with the assistance of international organisations to ensure the technical management and promote the commercial activities of the afore-mentioned processing plants: however in this case, it would be justified to claim that the foreign specialist should train and develop a number of local specialists selected by him,
- e./ the experiences acquired in the field testify to the fact that no local capital investments can generally be appropriated for purchasing any notable small-scale plants to process agricultural products, therefore it is indispensable that state contributions, long-term credits and free assistance provided by international co-operation should be made available.

The backwardness of schooling of the rural population in the developing countries and the practical experiences accumulated with the primitive methods of production does not make it possible for them to produce the unfamiliar /unfamiliar in its appearance or very little known/ and relatively highly developed technics and technology. Therefore the non-agricultural industrial activities at the countryside can be evolved but gradually after accomplishing the more time-consuming task of creating the subjective conditions.

Taking all this into consideration, it is expedient to assimilate and work out the industrial activities loosely associated with agriculture in the following stages:

- a./ it is proper to start with the production of industrial and consumer goods most frequently utilized in the rural areas, making use of the local materials wherever possible; the pottery industry, otherwise known as ceramic earthenware industry utilizing such local materials as sedge, reed, as well as the processing of other agricultural basic materials which can be consumed as a finished product,
- b./ in the majority of cases every village has autumnal traditions in handicraft and folkcraft activities descended from subsistence farming. It is common knowledge that subsistence farming is characteristic of agriculture in the developing countries, hence commodity production is restricted. Commodity production of handicraft and folkcraft works may happen to take shape in common small workshops and houses: these products manufactured earlier for self-consumption may at times be sold on the domestic and international markets. Part of the returns may be utilized for further industrial development in the form of personal incomes, whereas the other part is set aside for the same purpose in the form of collective accumulation,
- c./ stimulation of a /already existing/ national industry



/which is largely situated in the cities/ towards transferring a number of simple production processes to the villages and undertaking the tasks of the construction of a common workshop and the training of the employees, creating the possibilities for further industrialization and training of the local average-level personnel.

The international market currently comprises on an increasing scale the complete small-scale plants, "export items" of both the highly developed and developed countries. The exporting countries not only undertake to deliver small-scale plants employing from 50 to 150 workers in conformity with the local practice, but they also regard as part of the "export item" the services accompanying the "product". In this context, they undertake to train the 50-150 would-be workers of the plant, to operate the plant until full capacity of production is attained, moreover, they even provide assistance in selling the products produced. The production structure of these small-scale plants is extremely variegated. It is universally acknowledged that the local better-off landowners are eager to make investments in the construction of such small-scale plants, yet there are many cases when the state provides special preferences for the establishment and operation of the small-scale plants. International organizations and social organizations are also known to offer assistance in delivering small-scale plants complementing the deliveries with services. It is expedient that the high-quality construction and operation of these small-scale plants should be carried out on the basis of a step-by-step approach. The following points are of major importance here:

- a./ one should start with the production of goods requiring the simplest production facilities during which time only the engines operating on the simplest principles are used,

- b./ one should utilize such imported materials that are immediately applicable in the production hence the raw materials do not require further refinement and modification of their basic properties,
- c./ the sphere of use and the applicability of the finished product should be unambiguous for the employees of the small-scale plants,
- d./ the plant should strive to win acclaim in the nearby villages so that it might stimulate similar further industrial activities, especially among the youth.

The experiences accumulated in Hungary testify to the fact that the most efficient way of the complex development of the villages is to reveal a wide scope of co-operative possibilities for the workers gathered in rural co-operatives to create all the conditions of developing their villages in a complex way.

There hardly exists a populated area in the country without all the three branches of co-operatives /agricultural, consumer and industrial/ being represented, the diversity of the goods produced, their quality, the employment of the people being ensured in the framework of the existing three co-operative forms.

These possibilities could be revealed only with a large-scale state aid programme in the framework of which the spheres of activity aimed at the benefit of the entire society evolved with the state appropriations of the whole investment value or with assistance amounting to 70 per cent. This is how the full employment of the population, the utilization of the labour manpower relieved from the once-primitive agricultural production, and the conditions for the employment of youth were ensured.

Hungary's experiences in the complex development of the rural areas also bear testimony to the fact that women who were not considered to be bread-earners due to the lack of opportunities to get a job now get one either at a place of common employment or as an at-home outworker, hence having become active co-producers of the national income and earners of an extra income for their families contributing to the rise of the living standards of the rural population to a considerable extent.

After this digression, let us return to the estimation of the Hungarian experiences in order to give a brief survey of the history of the Hungarian industrial co-operatives and their current situation.

In 1945, the liberated Hungary was an heir to a grave war damage and an enormous economic and social backwardness of the preceding historical period. This backwardness was characterized by an underdeveloped industry, petty commodity production and a ubiquitous small-scale industry within the whole of the industrial production. It was not characteristic of the Hungarian petty commodity producers to work in well-equipped workshops and employ many workers; rather they worked by themselves or with few employees. The Hungarian private petty commodity production and handicraft production did not complement a large-scale industrial production, it rather strove at meeting the needs of the population or small-scale plants.

It appeared important first of all to gather the small producers into co-operatives who did not possess workshops, or capital to purchase raw materials, labour tools, etc., who eked out a living with great difficulty. This task was defined in the following way at the co-operative conference held on the 29th of June, 1947, "The task of the co-operatives for the petty commodity producers is to ensure raw materials and credits, the establishment of healthy workshop relations, broadening and mechanization of their production relations and an advantageous sales of their products in the framework of co-operatives for the small producers who live by the work of their own hands, mostly without employing workers, generally on the premises of their own houses or in the dark cellars thereof".

Thanks to an increase in the number of artisans' cooperatives and cooperative members after 1951, considerable production capacities emerged in the cooperative industry, and the overall output of the cooperatives manifested a significant upswing year by year. The output was increasing despite the fact that the overwhelming majority of the cooperatives was run in the old artisans' workshops as they could not acquire new premises due to investment difficulties. There were many cooperatives which were dispersed over four, five and even more places. The scarcity of space and the dispersion of the workshops was disadvantageous for the concentration of production labour, the evolution of a highly developed labour organization and the introduction of up-to-date technologies.

The cooperatives currently play an important role in Hungary's economic and social life. The government takes into account their work as their significance gradually increases with the socialist construction. The up-to-date and consistent guidelines for cooperative policy and the legally binding cooperative decree create long-range possibilities for the development of the cooperatives and provide principles of cooperative independence, self-government, the proper interpretation and definition of the relations between the state and the cooperatives, as well as between the cooperatives. An immense decentralization of decision-making authority as one of the important pre-requisites of socialist democracy is in force in the cooperatives which ensures that the cooperatives should make the decisions on the issues which are based on the information and interests immediately to be found in the cooperatives.

The activities of the industrial cooperatives are significant for the whole of Hungary's national economy.

/During the last 25 years,/ the original manufactures have grown into up-to-date small- and average-scale plants. About 1500 industrial cooperatives employ more than 305 thousand workers, of which 225 thousand workers are engaged in industrial activities, 58 thousand in construction, whereas 22 thousand are employed in individual and commercial services.

As a result of the process of centralization and concentration, the average number of workers employed in the cooperatives increased from 39 to some 200 people.

The cooperative production based on small- and average-scale plants cannot do without intensive development, without the possibilities for the development of production forces and for the attaining of a stage in the mechanization which would permit the mechanization of all the manual operations without causing harm to the much-in-demand handicraft quality of cooperative production. The cooperative industry cannot do without an up-to-date organization of labour, the application of the latest labour methods, the exploration of the economic advantages dormant in these methods, the increase in diversity and a useful complementing of the stat. industry.

In order to achieve all this, the industrial cooperatives embarked in 1970 on a 10-year development programme which will put an end to the present lag of the cooperative industry and ensure a higher-quality, more efficient

technical conditions for the production and servicing activities of the industrial cooperatives.

Hungary's economic policy is based on the parallel development of both forms of socialist property, i.e. state and cooperative. Equality is the guideline in the relations between the state enterprises and the cooperatives. The cooperatives run their economies on an independent basis, their economic decisions made in conformity with the system of economic regulators, decrees and the cooperative's statutes are taken by the management proper, cooperatives reap the fruits of their good husbandry and run the risks of mismanagement.

The industrial cooperatives are governed by the same regulators and incentives as the state enterprises. The economic regulators and incentives is manifested in the system of income regulation and withdrawals, in the imposition of various taxes, in the decrees determining the guidelines for the distribution of incomes as well as in the state grants offered to certain economic activities which are of extreme importance for the national economy.

Special cooperative interests are promoted by the common funds established by the cooperatives the sources of which lie in the amortization and investment taxes payable on the cooperative's net capital of which the cooperatives are exempt. Accordingly, the cooperatives may form a Common Development Fund at their Associations from which the cooperatives may draw final allocations or credits through the banks in order to develop the cooperatives. The cooperatives form a Mutual Assistance Fund from the reserve fund created out of their taxed profits at the National Council. The General Assembly is authorized to determine the amount of payments to the Fund. The Fund serves to provide assistance to the cooperatives which stand in need of it because of economic or other circumstances.

Every cooperative takes part in the establishment of the Funds. When deciding where to put to use the amount of money available, the interested cooperative bodies take into consideration the national and local guidelines, the tasks faced by the cooperatives as well as the peculiar situation of certain cooperatives. The importance of the common development funds of industrial cooperatives is stressed by the fact that



these funds are significant basis for the carrying out of the 10-year development programmes.

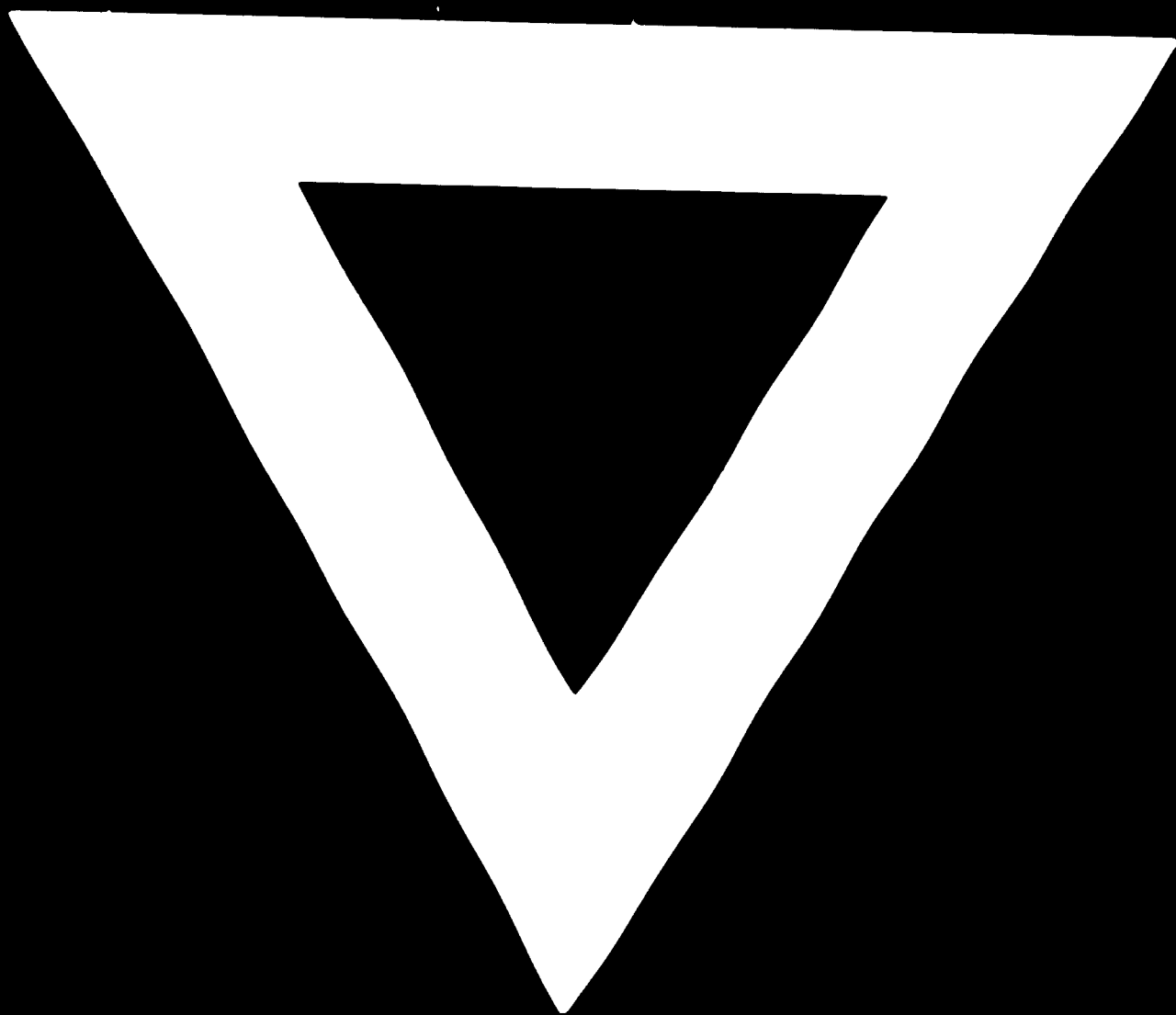
The cooperative decrees outline the tasks of the association as follows:

- representation of the economic and social interests of the the cooperatives;
- promotion of independent enterprisal management of the cooperatives;
- support of the democratic management of the cooperatives, assistance offered to the running of self-governing organs;
- providing of services assisting the activities of the cooperatives;
- assistance offered to a comprehensive checking of cooperatives' management;
- handling of the common fund of the cooperatives and decision-making on the utilization thereof.

Summing up, we presume that there exist real possibilities of more efficient elaboration of the

development programmes for the small-scale plants in the developing countries provided we make good use of the experiences of the Hungarian industrial cooperative movement of the increased participation of the U.N. Industrial Development Agency and of the support provided by the governments of the developing countries. The National Council of Industrial Cooperatives together with the competent Hungarian authorities is ready to take part in the carrying out of this task.





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