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THE ROLE OF  
INDUSTRIAL ZONES, AREAS AND NUCLEI IN DEVELOPMENT POLICIES AND PROGRAMMES  
WITH SPECIAL REFERENCE TO THE PROMOTION OF SMALL-SCALE INDUSTRIES:  
THE EXPERIENCE OF ITALY

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THE ROLE OF INDUSTRIAL ZONES, AREAS AND NUCLEI IN DEVELOPMENT POLICIES AND  
PROGRAMMES WITH SPECIAL REFERENCE TO THE PROMOTION OF  
SMALL-SCALE INDUSTRIES: THE EXPERIENCE OF ITALY

I. INDUSTRIAL ZONES AND GENERAL ECONOMIC DEVELOPMENT POLICIES  
IN THE MEZZOGIORNO

A comprehensive policy for the establishment of industrial zones <sup>1/</sup>in Italy is of recent origin. Up to a few years ago, the establishment of industrial zones was not so much the outcome of general development programmes but rather the result of local initiatives and efforts. The circumstances giving rise to industrial zones were very varied. They included action by groups of private industrialists interested in the development of certain localities, the need to prevent local economic crises due to the decrease in certain resources and in traditional productive activities, the influence of local political leaders, and other considerations.

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1/ The term "industrial zone" is used in Italy to designate a tract of land improved for industrial use. The 1957 Law contemplates the possibility of providing industrial buildings to be sold or rented to the industrialists - which, in the terminology used by the United Nations, would make the zone an "industrial estate" - but, as will be seen later, no such facilities have yet been provided in any zone. It will also be seen that "areas of industrial development" and "industrial nuclei" which are, respectively, large and small territories where industrialization is to be promoted, have recently been established. Since no industrial estates providing factories and services exist in Italy, the present report refers to zones, areas and nuclei as defined and described in the text.  
[Editor's note]

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It was in 1950 that the State adopted a comprehensive policy for the depressed region of the Mezzogiorno (Southern Italy) and, as an organism for carrying out that policy, set up the "Cassa per il Mezzogiorno".<sup>2/</sup> It was only seven years later, in 1957, with the Law No. 634 of 29 July, that encouragement was given to the establishment of industrial zones as part of this policy. The law stated that "in order to favour new industrial initiatives to be concentrated in a given zone, the Communes, Provinces, Chambers of Commerce, Industry and Agriculture, and other interested bodies can form Consortia with the object of carrying out, developing and managing, works for equipping the zone, such as road and rail connexions, water and energy supply for industrial use, light and sewage. The Consortium can undertake any initiative considered useful for the industrial development of the zone." The law made special provisions for the expropriation of the land required, for carrying out the above-mentioned infra-structure works, for contributions which the Cassa was authorized to make for this purpose, and other relevant matters.

The actual results of these measures will be examined later. It is of interest to note here that, as from the promulgation of the law, the industrial zones and the consortia which were set up to administer them became a part of a co-ordinated policy for the development of the country. This came about at the same time as it was being realized that the problem of the Mezzogiorno should not be considered as special to that part of Italy but, because of the dimensions of the territory and the population involved, as of interest to the life of the country as a whole.

Amongst the numerous objectives that a policy for the establishment of industrial zones can have, those of the Italian policy, especially as regards the development of the Mezzogiorno are the following:

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<sup>2/</sup> Special agency created for financing and coordination of special allocations for the development of southern Italy. Founded by Law No. 646 of 10 August 1950, its duration was extended, by a special law No. 717 of 26 June 1965, to the end of 1980.

(a) The concentration of expenses for infra-structure. It is considered that, in order to create a favourable environment for industrial initiatives to be undertaken in the Mezzogiorno by local operators, by entrepreneurs from central and northern Italy or by foreigners, some basic infra-structures - such as communications, water, light, power, drainage - should be made available. Since these could not be provided over the whole region of the Mezzogiorno, the creation of zones, suitably equipped, would ensure a concentration of infra-structure investments at some key points. This would prevent a harmful dispersion of existing financial resources and would stimulate and facilitate new productive initiatives.

(b) In turn, the concentration of industrial initiatives would help the integration of various enterprises, particularly between large basic industries and small-scale and medium-sized industries dependent upon them. Thus an impulsion would be given which would start a spontaneous process of industrialization, a development which would not have occurred if the same initiatives had been spread more or less haphazardly over such a large territory.

(c) Finally, the particular type of organism called upon to manage the industrial zones of the Mezzogiorno - that is, the consortia which are autonomous public bodies working in liaison with local authorities such as communes and provinces - would gradually stimulate the local authorities to improve their organization, to operate in a responsible and co-ordinated manner, and above all to do things for themselves. This would weaken that mentality of inaction, of waiting passively until the central authorities proffer paternalistic benefits, which is so common in the local environment of almost all developing countries, not excluding the Italian Mezzogiorno, and is so harmful to economic and social progress.

It is hardly necessary to mention that industrial zones are not the only incentive for the establishment of industries in the Mezzogiorno. As will be seen in the next section, all kinds of financial, fiscal, customs and other advantages are also made available.

## II. INFRA-STRUCTURE DEVELOPMENT VERSUS FINANCIAL AND FISCAL INCENTIVES

The idea of setting up a network of industrial zones in the Mezzogiorno as an instrument of industrialization has not been looked upon favourably by all those interested in the problem in Italy.

Many answers have been given to the basic question: "What is the best policy to follow for helping and encouraging new industrial initiatives in the Mezzogiorno?" As in other countries faced with the same problem, various tendencies have emerged. The following are the two fundamental conflicting opinions:

1. A flow of industrial initiatives into any given geographical area is not haphazard. It occurs when an area offers favourable environmental conditions and is provided with basic infra-structure. This is evidenced by the progress of development in northern Italy during the past century. Therefore, to ensure a flow of industries into the Mezzogiorno, it is advisable to concentrate the effort of development on the infra-structure; by creating the same favourable conditions which at first existed only in the North, operators will be attracted to the southern region.

2. In no case would the provision of infra-structure and the creation of favourable environment be sufficient to ensure a flow of industrial initiatives into an under-developed area. This is particularly true of Italy because of its geographic configuration and the resulting distance between the South and European centres. It is, therefore, absolutely necessary to balance the negative factors - since it is difficult to modify them - by offering the potential operator a series of incentives in the form of loans, grants, tax exemptions, and so on.

There is an element of truth in both opinions. Neither of the two theories has been completely accepted in the majority of countries. But attempts have been made in most developing countries to create a minimal infra-structure basis acceptable to the operators and at the same time to guarantee a certain number of special advantages to encourage investments. For example tax concessions and freedom to export profits and take out capital exist almost everywhere. But other types of help, such as long-term loans at favourable interest rates, or grants, are available in a relatively small



number of countries. Because of the basic weakness of their economies, many countries would not be able to support such fiscal and financial drains.

In the majority of cases, the organization of industrial zones in Italy reflects more the first than the second of the above theories: the industrial zone is itself a form of infra-structure, the chief advantage offered to the operator being the availability of improved land at favourable conditions. Yet in some cases the entrepreneurs are also offered inducements of a financial character, in addition to the facilities of the zone. In some countries, inducements are offered to operators who establish themselves within the limits of an industrial estate and not to those who settle outside of it. Until now, this is not the case in the Mezzogiorno where incentives for new industries apply without any regard to specific location, in particular, without reference to whether location is within or without an industrial zone.

The principal inducements offered in the Mezzogiorno are as follows:

- Ten-year exemption from income tax and from other special taxes in connexion with the construction of the plant.
- Reduced rail freight charges for construction materials, machinery, equipment, and plant necessary for setting up productive undertakings.
- Credit at low interest rate (down to 3 per cent a year) with a fifteen-year term, covering 70 per cent of the total investment and including a percentage for the acquisition of initial inventories with special favourable conditions for amortization (no repayment for the first two years, an additional period of three years during which interest but no principal is paid, and beginning of repayment of the principal only after the sixth year).
- Free grants for construction of plant and purchase of machinery, up to a maximum of 25 per cent and 10 per cent, respectively.
- Equity participation in industrial enterprises to provide the balance of the necessary capital, by special public credit institutions, which allow very wide flexibility in their operations.
- The State guarantees to buy from the industries established in the Mezzogiorno 30 per cent of their total output.

### III. "INDUSTRIAL AREAS" AND "INDUSTRIAL NUCLEI" IN THE MEZZOGIORNO: ORIGIN AND RECENT DEVELOPMENTS

The 1957 Law, which introduced in Italy a modern policy of industrial concentration, referred to industrial zones - in which industrial concentration would be encouraged - without developing this concept in detail.

Further to the enactment of the Law, the competent authorities, in particular the Italian Ministerial Committee for the Mezzogiorno, thought of substituting for the traditional concept of the "industrial zone" the relatively newer and more comprehensive one of "industrial development area". An "area" covers a large and homogeneous territory comprising several communes. Its purpose is to promote and bring about a wider economic and environmental transformation and to constitute a centre of attraction for industrial development. Within such a wider area there would be special poles of concentration, that is, special zones suitably equipped to attract new productive undertakings.

To be officially recognized and to enjoy the special facilities provided for by the law, the industrial development areas must fulfill a series of conditions and minimum requirements which should be certified by a special Commission. The conditions are that there should be an effective trend towards industrialization in the locality, a population of not less than 200,000 in the whole area, complementarity between the economy of the principal commune and that of the surrounding localities, existence of infra-structure, and absence of negative factors such as liability to landslides, earthquakes, and so on.

In 1960, the Committee of Ministers for the Mezzogiorno ruled that in certain localities which did not meet the above conditions but where there were good prospects for industrial concentration, small "industrial nuclei" could be set up. The nuclei are intended to promote industrial concentration on a smaller scale than the areas, by stimulating the establishment of a limited number of enterprises taking advantage of a narrower market, using local raw materials, etc. The basic difference between an "industrial area" and an "industrial nucleus" is one of size. Only one zone with the necessary infra-structure is permitted in a nucleus while in an area the number of zones varies, in practice, from two to three.

In the attached map, the location of the areas of industrial development and of the industrial nuclei is indicated as of the middle of 1966. It is probable that considerable time will elapse before provision is made for other areas or nuclei, since the number of those already sanctioned is in excess of the present possibilities. There are now 39 sanctioned projects - 12 areas and 27 nuclei.

The total surface of the areas is 14,485 square kilometres, and that of the nuclei, 14,025. Areas and nuclei cover 20.6 per cent of the total surface of the Mezzogiorno which amounts to 138,102 square kilometres.

A total of thirty-one industrial zones are established in the thirty-nine areas and nuclei. Their total surface is 286.8 square kilometres, of which 167.3, that is, 58.3 per cent, are still available for industrial occupants, the remaining 119.5 square kilometres, that is, 41.7 per cent, being already either occupied by industrial enterprises or used for roads and general services.

After a project to set up an area or a nucleus has been formulated, the local organs promoting it form a consortium whose statute must be approved by a decree of the President of the Republic. The statute follows in general a standard pattern drawn up by the central organs in order to define the scope of the project and to provide guidance to the local authorities. When approved, the consortium is recognized as a public entity and can begin its activities after nomination of council members, executive committee, president, and so on.

The first task of the consortium is to prepare a master plan for the area or the nucleus, devised so as to stimulate and co-ordinate integrated industrial development within the territory concerned. In particular, the plan indicates the most suitable location for the built-up area and the works which should be carried out to provide adequate infra-structure in the area or nucleus. Thus, the master plan provides a basis upon which the consortium will build its activity in the course of time. Master plans become operative only after they have been duly approved by a decree of the President of the Committee of Ministers for the Mezzogiorno.

The special facilities which the consortia setting up areas or nuclei enjoy may be summarized as follows:

- (a) The Cassa per il Mezzogiorno can assume the burden of the expenses connected with the preparation of the master plans;

- (b) The Cassa can give grants to the consortia for carrying out the infra-structure works for which they are responsible up to an amount of 85 per cent of the cost; advances may also be given for the further 15 per cent not covered by the grant;
- (c) The Cassa can make advances to the consortia even for operational costs of these infra-structure works;
- (d) In cases where the consortia are not in a position to carry out the works of infra-structure even with the facilities mentioned above, the Cassa is authorized to provide these at its own expense.<sup>3/</sup>
- (e) The Cassa can make contributions to the consortia amounting to up to 50 per cent of the costs of construction of industrial buildings to be handed over subsequently to operators interested in establishing their enterprises in the areas and the nuclei.
- (f) The Cassa can give to the consortia funds to cover expenses for land expropriation made necessary by the establishment of industrial plant and the construction of industrial buildings.
- (g) The Cassa can be authorized to share in the expenses for the organization and activities of the consortia on the basis of budgets annually drawn up by the consortia.
- (h) The consortia can take advantage of a special procedure for the expropriation of land and buildings.
- (i) The consortia benefit from special tax facilities on all their operations.

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<sup>2/</sup> It is interesting to note that, initially, the contribution by the Cassa per il Mezzogiorno to the consortia was fixed at a maximum of 50 per cent for carrying out infra-structure work in industrialization areas and nuclei; then in 1962 this contribution was raised to 85 per cent; the 1965 law provided coverage for the balance of 15 per cent and authorized the Cassa to pay for all infra-structure work when the consortia are not able to support even a part of the cost. These modifications were made necessary when it was found that the consortia were confronted by almost insurmountable obstacles in raising funds additional to those provided by the Cassa. The difficulties are due either to the chronic debit position of the local entities - communes and provinces - in the Mezzogiorno which precludes them from assuming further financial burdens, or to the fact that the consortia have no fixed assets and are unable to provide real guarantees to the banks or special institutes against possible loans.

It should be noted that the only inducements offered so far to the entrepreneurs in the industrial areas and nuclei of the Mezzogiorno have been improved land and general infra-structure facilities at a relatively attractive price. Despite the fact that the law contemplated the possibility for the Consortia to build up industrial buildings for sale or rent to the industrialists, no initiative of this type has yet been taken. Nor are any special services such as training of workers, repair, maintenance or lease of machinery, transportation, cafeterias, etc. provided by the consortia to the industries installed within the zones.

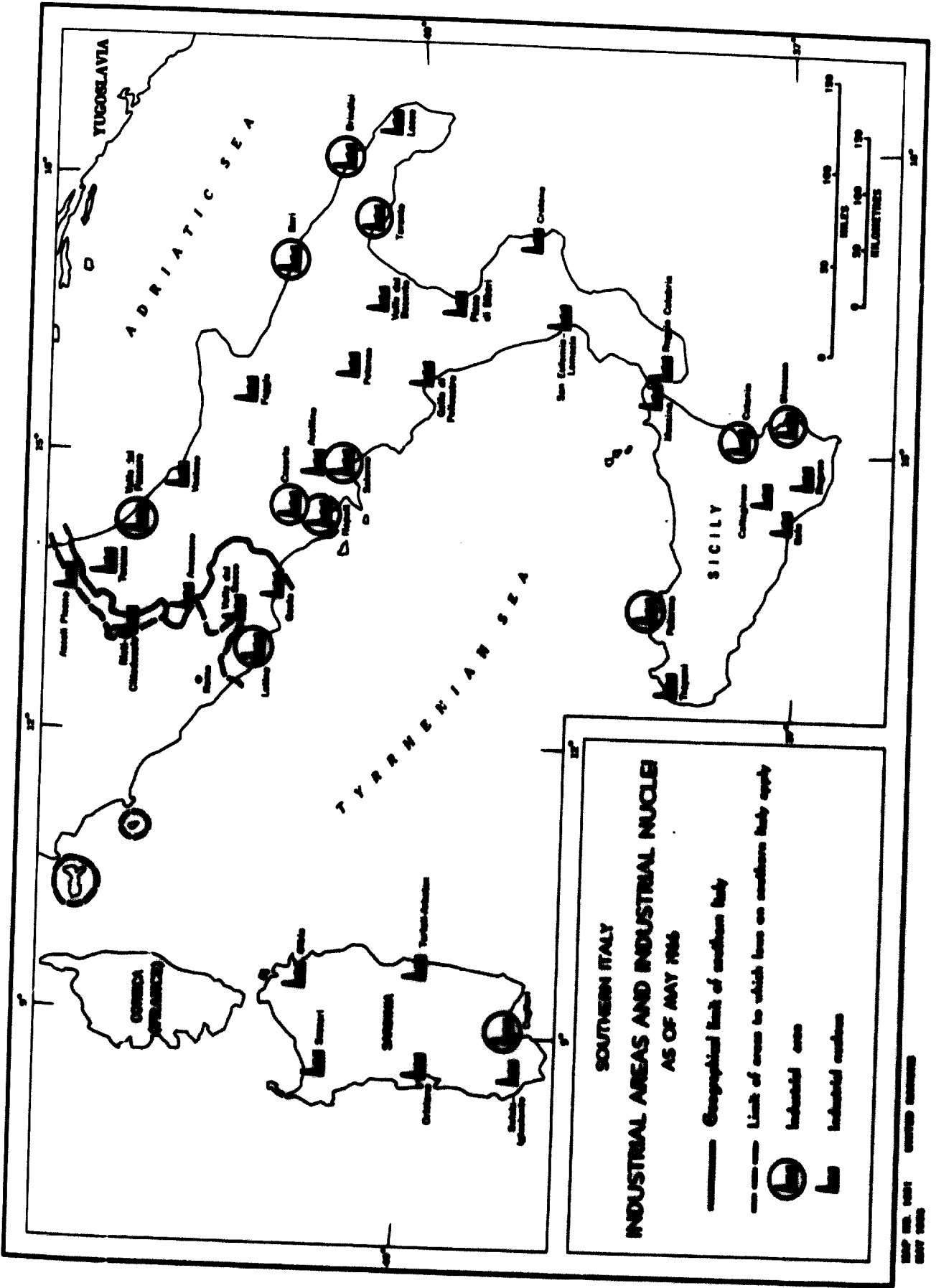
This is due to two main reasons: In the first place, the consortia were entirely engaged during the past years in preparing their master plans and in finding the financial means for infra-structure works, not to mention problems of general organization. In the second place, there was a doubt that such facilities would meet the desires and requirements of the industrialists. It was considered that Italian entrepreneurs, not being accustomed to standard factories, would maintain their preference for building their own factory according to their individual needs; and that, not being accustomed to common facilities and services, they would have no confidence in this kind of inducements.

These considerations are only partly true. Italian industrialists, especially in the case of small and medium-size industries, are indeed, with a few exceptions, strong individualists, and it is not as easy to associate them with a view to developing a common activity as in other parts of the world. Yet they cannot be unaware of the advantages offered by some of these facilities. It is likely that in a near future, as soon as the main infra-structure is completed, the consortia will begin to provide common services, industrial buildings, and so on, as a further inducement for the attraction of new industries. This might also serve to improve and modernize the outlook and attitude of Italian entrepreneurs.

The success achieved by the 59 industrial areas and nuclei of the Mezzogiorno is very unequal. At the end of 1965, the situation in a certain number of areas and nuclei was on the whole quite satisfactory: master-plans had been prepared and approved by the competent authorities, infra-structure work was in an advanced state of readiness, and the flow of new industrial undertakings

proceeded at a good rate. There are, however, also cases where no measure of agreement among the local interested bodies for the formation of a consortium could even be achieved.

Why is this so and what conclusions can be drawn from this experience in regard not only to the development of the Mezzogiorno and of Italy but also to the development of developing countries in general ? What mistakes have been made and what modifications to the policy followed thus far in Italy seem to be called for ?



SOUTHERN ITALY

INDUSTRIAL AREAS AND INDUSTRIAL NUCLEI  
AS OF MAY 1966

- Geographical limit of southern Italy
- - - - - Limit of areas to which laws on southern Italy apply
- Industrial area
- Industrial nucleus

MAP NO. 1001 UNITED STATES  
NAVY 1966

#### IV. THE FIRST RESULTS OF THE EXPERIENCE IN THE MEZZOGIORNO

While the industrial zones in the Mezzogiorno arise from the same law and have an almost identical legal structure, there are profound differences in their origin, their functioning, and their efficiency. The projects may be divided into three main types according to their origin.

1. Projects in which the development of the area or the nucleus took place after one or more important productive enterprises were established or were in the process of establishment in the territory, sometimes as a result of the initiative of private industrial groups and at other times of that of State agencies.

It is generally considered that, in such cases, it is the establishment of the large enterprises which led to a decisive "breakthrough" in an environment of economic and social stagnation. However, the industrial zones have also contributed to this breakthrough both by providing additional economic infra-structure - some of which is necessary for the operation of the large enterprises - and by stimulating the development of certain forms of social infra-structure - town planning, communications with outside areas, technical schools, and so on.

The small-scale and medium-sized industries established around the major enterprises are supplying goods and services to the latter, or transform some of their products.

The industrial areas of Brindisi, Taranto, Syracuse, and the industrial nucleus of Valle del Basento (Matera) are typical instances of such projects. The Brindisi area was set up after the establishment of the great private petrochemical plant of Monteshell (Montecatini and Shell); the Taranto area was developed in connexion with Italy's fourth steel centre belonging to Italsider (one of the members of the state-owned IRI group), the Syracuse area was related to the chemical enterprises of SIMCA and CELENE, both of which belong to the Edison group (private industry); the nucleus was tied in with the petroleum operations of AGIP Mineraria and the petrochemical plant of ANIC (both belonging to the Ente Nazionale Idrocarburi, ENI, a State-owned group). Many other examples could be given - for instance, the Reggio Calabria nucleus is linked to the CMECA plant for the manufacture of parts for railroad cars (mixed private and public funds) and the Vastese nucleus to a glass factory at Vasto.



2. Projects in which the development of the area or the nucleus took place before the establishment of productive enterprises. In such cases it was the project itself which, through the availability of infra-structure and a favourable environment, served to attract small-scale and medium-sized industries using, in general, local agricultural, mineral and other natural resources and coming, for the most part, from outside the zone or even from abroad.

Most of the nuclei are in this category, from Potenza to Avellino, from Sassari to Teramo and many other places.

3. Finally, there is a third category of projects in the Mezzogiorno whose establishment has been inspired more by town-planning and land settlement considerations in connexion with decentralization policies than by industrial concentration programmes.

Typical of these are the industrial area of Naples and that of Roma-Latina.

Thus, there is in the Mezzogiorno a confrontation between two basic opinions regarding industrialization, which, on occasion, give rise to polemics and discussions at high scientific and operative levels.

One opinion is that an initial "shock" from outside, which would break through environmental conditions, is indispensable to set in motion economic development in general and industrialization in particular. The shock may be provided by the establishment of a large industrial plant, and may be due to State initiative when private initiative is lacking or is insufficient.

The other opinion is that an intensive effort to promote new or already existing small local initiatives is more suited to the conditions of a developing region. Such an effort would tend to transform gradually an economy based on agriculture and handicrafts into an industrial economy and, in particular, to stimulate the transformation of handicrafts, first into small-scale industries and then into medium-sized ones.<sup>4/</sup>

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<sup>4/</sup> For more details, see United Nations Establishment of Industrial Estates in Under-developed Countries, (Sales No.: 60.II.B.4), and "Some Controversial Questions Concerning Industrial Estates", by A. Molinari, in United Nations, Industrial Estates in Asia and the Far East, (Sales No.: 62.II.B.5).

From an international viewpoint such a "confrontation" provides a frame of reference for judging the directions which should be taken in the future either by the governments of individual developing countries or by international organizations providing technical assistance.

The following considerations are based on the experience of the Mezzogiorno and the results achieved so far by the industrial zones established there.

1. In any given zone or region, the transformation of the environment from a predominantly agricultural economy to an industrial one can be neither fast nor easy and cannot be achieved without profound economic and social repercussions. It certainly cannot be a matter of a few years but of a decade at least.

2. With some exceptions, the injection into a stagnant environment of a large industry, even if it is considered as a "motive" one, such as a steel plant - as is the case at Taranto - would not, in the absence of special promotion measures, be sufficient either over the short- or medium-term to spark a spontaneous movement towards further industrial concentration, nor would it lead by itself to the spontaneous establishment of a sizable number of small-scale and medium-sized local industries around it. The reasons for this are the following:

- (a) The local tendency will be, above all, to concentrate efforts on finding jobs for the greatest possible number of blue- and white-collar workers by the big industry which offers the greatest security for stable employment.
- (b) The industrial complex - which almost always comes from another region - will certainly at first try to get its supplies and equipment from outside the zone, especially if it is associated with groups the head offices of which are elsewhere.
- (c) To some degree, the managers of the large establishment will certainly, at first, lack confidence in the local environment. This will be due in part to the fact that the local businessmen do not have the capacity for dealing with large industrial complexes in such matters as price stability, guarantee of quality, and delivery dates. Because of this, it will not be

- easy to set in motion effective relations between the large organization and the local environment.
- (d) An environmental breakthrough due to the establishment of a large industry will make itself felt principally in the fields of commerce and consumption. The level of consumption of local inhabitants employed in the big plant will increase especially in comparison with the lower and more intermittent earnings from agriculture which they enjoyed before. Because of this, there will be a strong demand for consumer goods. This in turn will be reflected in a rise in prices which will not lighten the difficulties for those families which have not found employment in the big industry.
  - (e) One positive indirect effect, from the industrial viewpoint, due to the establishment of a large complex, will be the increase in building activity owing to the greater demand for housing and the average improvement in the standard of living.
  - (f) The attempts of the small industries to "hook into" the large industry for supplying it with goods and services and for transforming its products will soon be exhausted on account of the difficulties encountered, especially because of the lack of a valid entrepreneurial environment. Even where local capital is available, it is almost always derived from agriculture and real estate and is generally not available for investment in industry in consideration of the higher risks involved.
  - (g) The establishment of industrial zones of the second type - that is those which are a means for attracting new industries from outside - has had effects that are noticeably different from one case to another. There is evidence that where a zone is near an important urban centre where a more or less spontaneous process of industrialization is under way, even though only on a small or medium operational level, its establishment has stimulated other local initiatives or has attracted new industries from the outside, especially from the North of Italy.

In contrast, where an industrial zone is set up near a still depressed small urban centre, the attractiveness for outsiders and the undertaking of local initiatives are very small or negligible, in spite of sometimes energetic efforts by the local authorities and organisms and especially attractive forms of assistance.

In the latter case, an unfavourable geographic position, such as distance from the coast or, more important still, from airports, plays a fundamentally negative role. Usually, there is also a "preferential" element, that is, the existence at a short distance from such zones of other zones, more favourable and better situated, which have an important counter-attraction effect.

- (h) The establishment of zones of the third type - that is those which are part of town planning programmes aimed at bringing about decongestion and a more rational siting of existing industries - has been, both from the structural and organizational viewpoint, the most difficult to achieve. The development of such zones has been and still is slower than that of other zones, probably because there was less urgency in setting them up.
- (i) The number of economic sectors in which "motive" industries - can be set up - that is, industries able to attract spontaneously around them a certain number of small-scale and medium sized industries - is small, and the establishment of subcontracting relationships is not always easy to achieve.

3. The above conclusions are not intended to give the impression that the first of the two basic opinions is entirely mistaken and that prospects of success lie only with the second. It should be recognized that, at least until now, the establishment of large industrial plants in a zone where the economic and social environment is really depressed, has not led to further industrialization as fully or rapidly as theory would lead one to expect.

## V. LOCATION OF INDUSTRIAL ZONES IN THE MEZZOGIORNO

Up to now, the results of the experience of industrial zones in the Mezzogiorno have been examined with reference to the establishment of large factories in certain localities. The experience will now be briefly considered in respect of the influence which the geographical location of the zones has had upon the establishment of new industries. Location has been near big towns, in typical agricultural environment, in the vicinity of ports and in areas of interest to tourism.

(a) The existence of a large centre of population in the immediate vicinity of an industrial zone is, for economic operators, a much more important factor than would appear at first glance. While a process of industrialization is not automatically found near all large cities, such locations are usually, for a variety of reasons, not all of which are economic, the most attractive to potential industrialists.

However, there are strong reasons, for any government interested in stimulating balanced industrial development in all regions of the country, to follow a policy aimed in some way or other at discouraging the establishment of industries near the large centres and at encouraging decentralization.

It may be said that, except in rare cases, the siting of industrial zones near large population centres is not advisable. Two cases may be considered: either it is useless to set up an industrial zone aimed at attracting new initiatives in the vicinity of a large city where there is already a spontaneous process of industrialization; or, if there is need to stimulate new initiatives, it is better to establish the zone at a distance from the larger centres; how far, will evidently vary according to the circumstances.

The only logical reason for creating industrial zones near large population centres <sup>5/</sup> is the need to relocate existing industrial establishments in a more rational manner according to sound town planning principles; for example, removal from residential areas of noisy, dangerous and harmful industries; improvement of housing in certain areas; industrial expansion were sufficient

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<sup>5/</sup> Apart from "demonstration" industrial estates for small-scale industries.

space is not to be found within the town, and so on. The most interesting examples of industrial zones or estates which fulfill these requirements are not to be found in the Mezzogiorno, nor elsewhere in Italy but, as far as Europe is concerned, in Great Britain.

Several industrial zones in the Mezzogiorno are situated near important population centres. The following examples relate to "areas of industrial development":

<u>Industrial Area</u>	<u>Population 1964</u> (principal town)
Rome	2,500,000
Latina	56,000
Naples	1,220,000
Bari	329,000
Palermo	622,000
Cagliari	200,000
Salerno	151,000
Pescara	100,000

(b) The establishment of industrial zones in regions whose economy is structurally and traditionally agricultural is certainly a difficult project and, in some ways, a dangerous one in view of the social disturbance that such zones usually produce. An agricultural environment does not by itself constitute an attraction for new industries and there is a risk in investing in infra-structure which is not very productive. The best chances of success would be in localities where there are prospects for the establishment of transforming local agricultural products.

(c) The vicinity of industrial zones to important and well-equipped seaports is a considerable attraction for the establishment of certain industries, especially those which receive their raw materials and export their finished products by sea. The vicinity of an airport with frequent and regular air service connecting major centres at home and abroad, or the vicinity of important highways, are a greater stimulus than proximity to a port.

(d) The presence of tourist attractions near an industrial zone may play both a positive and a negative role. On the one hand, where tourist facilities are well developed they can be attractive to businessmen, quite apart from any economic reason. On the other hand, the interference and possible conflict between industrial and tourist activities are only too obvious.

In such circumstances the establishment of an industrial zone is advisable only if the plants are at some distance from the tourist locality so as to avoid such undesirable effects as disfigurement of the countryside, air and water pollution, and the like. The zone should however be so located that the factory workers can easily and quickly get to it.

VI. PRICE OF LAND AND COST OF LAND IMPROVEMENT AS FACTORS  
AFFECTING THE ESTABLISHMENT OF INDUSTRIAL PLANT

What influence does the availability at a reasonable price of land provided with infra-structure have on the decision of entrepreneurs to establish themselves in a certain locality ?

The answer to this question is important since it permits to draw some conclusions, on the one hand, about the limits to the establishment of industrial zones in developing countries or regions, and, on the other hand, about the suitability of zones in satisfying the real needs of industrial entrepreneurs.

In the Mezzogiorno, because of the autonomy of the areas and nuclei, and because of local factors, there are considerable variations in the terms and conditions on which land is offered. Terms and conditions are not only varied, they are often "elastic". For example, in some cases the authorities responsible for industrial zones quote an "official" price and at the same time indicate they are quite ready to bargain or may even offer the land free when it is required for some important industry or one that offers steady employment for a large number of local workers. Such lack of fixed standard price for land obviously makes it much more difficult to arrive at conclusions of general validity. <sup>6/</sup>

In this respect, the experience of the Mezzogiorno seems to indicate that:

(a) As far as industry is concerned, the price of land in zones offering infra-structure facilities equal to those in possible alternative locations, does not seem to be a decisive factor in the choice of one or another site. One explanation is that the cost of land usually accounts for a very small part of the total investment of an industrial establishment.

(b) The relative indifference of economic operators to the cost of land is evidenced, in particular, when there is a choice between alternative locations at a distance from each other. As a rule, it is not the cost of the land that influences the decision but quite different factors - vicinity of ports, airports, major highways, proximity to large consumer markets and to large

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To give an example of conditions at the time of writing, prices for land equipped with basic infra-structure (roads, electric power, water, sewage, etc.), in nuclei where development did not require much work, range from about U.S. 50 cents a square metre in the industrial nucleus of Frosinone about forty miles from Rome, to about \$3.00 a square metre in the industrial nucleus of Reggio Calabria.



cities where employees would like to live, and other economic and non-economic factors. On the other hand, if the alternative is between land in industrial zones located close to each other (in the Mezzogiorno this can often be the case since there are 39 of such projects for the region), then the smallest difference in the price of land may be a decisive factor. Its importance is often exaggerated: there are actual cases in which businessmen have chosen to put their factories on land belonging to a commune, just outside the boundaries of an industrial zone and not a part of it, the reason being that the commune offered the land at 10 cents a square metre less than in the industrial zone.

The explanation is partly psychological. Once the choice of a location has been made, the purchase of land becomes a strictly financial matter and even a small saving may appear important to the operator. Moreover, the payment for land is the first of the expenses the operator has to make in carrying out his construction programme which includes buildings, machinery and so on.

Strangely enough, it happens that in selecting a piece of land outside of an industrial zone because of the small saving afforded, the operator does not take into account further more important expenditures he must incur, for example major work and expenditure on infra-structure which would have been assured to him in the industrial zone on better terms or even at no cost.

(c) The existence in the same area of different prices and conditions for industrial land is often a factor which disconcerts and repels the operator who would prefer a fair fixed price so that he would not have to face the problem of many choices for land whose characteristics are more or less identical. It would, therefore, seem to be advisable, wherever possible, to fix standard prices for land or at least to limit alternative prices in well-defined cases.

(d) Propaganda to attract industries when the basic infra-structure is not yet available but is only planned or under construction may be very dangerous and may produce the opposite effect to that hoped for. Quite rightly, the operator is not interested in what the condition of some zone will be in two, three or more years. He wants to know what the position in the zone is now.

(e) When a central or local authority selects a tract of land for an industrial zone, it is essential that it should take into account the type, ownership and cost of land and the cost of providing infra-structure.

Part of the difficulties encountered in establishing efficient industrial zones in the Mezzogiorno has been due to the fact that before setting these up, no consideration has been given to whether there was land belonging to the local authorities (communes or provinces), which these could offer free to the consortium responsible for the administration of the zone, or whether, as has happened in a great number of cases, land had to be bought or expropriated from local owners. All this creates serious legal and financial problems and, above all, delays the initiation of the project. <sup>1/</sup>

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<sup>1/</sup> In some areas of the Mezzogiorno, because of this, very expensive land had to be expropriated since it had been valued as agricultural land and therefore commanded a high price. This obviously had adverse repercussions on the final cost and hence on the price of the land offered the entrepreneurs.

VII. ATTITUDE OF ENTREPRENEURS TOWARDS INDUSTRIAL ZONES IN THE MEZZOGIORNO  
ACCORDING TO SIZE OF INDUSTRIES AND ORIGIN  
OF THE INDUSTRIALISTS

What has been in general the attitude of entrepreneurs towards industrial zones in the Mezzogiorno? To answer this question, distinctions should be made according to the size of the industrial undertaking and the origin - local, northern or foreign - of the entrepreneurs.

The attitude of entrepreneurs and managers of large enterprises recently established in the Mezzogiorno is mostly critical, though there are some exceptions. The following are the main criticisms which they make:

- (a) The existence of the industrial zone is due to the fact that we established our factories there.
- (b) Often our group has had to carry out or finance, at least by advancing the funds, the construction of the indispensable infra-structure which should have been provided by the industrial zone.
- (c) We are continually under pressure, either during the time we were building our factories or when we were operating them, to make use of local individuals or businesses. We cannot submit to such pressures because we must run our business on strictly economic lines and in accordance with our own views, without any outside interference.
- (d) We cannot concern ourselves directly with the creation and development of small or medium industries around our plant. If such industries establish themselves and can offer us good terms, we can make use of them or sell them our products. Otherwise we will continue to deal with concerns outside the nucleus or area or sell our products outside the territory in accordance with the above-mentioned criteria.
- (e) We have no special interest in determining what particular services the industrial zone can offer us, since the very size of our undertakings calls for a high level of self-sufficiency in many operations such as transport, catering, sanitation, maintenance, and so on.

The attitude of medium-sized and small-scale entrepreneurs, by contrast, seems to be favourable to industrial zones. They too, however, have some criticisms to make about certain features that they consider to be unsatisfactory - such as delays in providing the promised infra-structure, deficiencies

in some services, difficulties in establishing relations, as had originally been hoped for, with the large industries in the locality, and long-drawn procedures for getting the land assigned to them. Many of them wish there were better and more services over and above provision of improved land.

The other important distinction in the attitude of entrepreneurs with regard to industrial zones is whether the persons concerned are local entrepreneurs, entrepreneurs from northern Italy, or foreign investors.

The local entrepreneurs seem in general to be favourable to the zones and willing to settle there, in particular to transfer there existing enterprises. They are almost always fairly small businessmen.

The attitude of industrialists from northern Italy varies very considerably, according to the zone in which they are established. Some show enthusiasm for the transfer into the zone, others regret the decision. Their attitude depends upon differences in efficiency and standards of organization of the zone. This also affects the attitude of prospective occupants contemplating establishment in a zone.

In general, the attitude of foreign entrepreneurs passes through two successive phases. The first is one of disillusionment with the environment, the procedures, the commercial and work customs which are different from those of their country of origin; the second phase is largely favourable especially because those responsible for industrial zones generally give foreign operators particularly good treatment and conditions.

VIII. NATIONAL AND INTERNATIONAL CO-OPERATION AND TECHNICAL ASSISTANCE  
FOR THE DEVELOPMENT OF INDUSTRIAL ZONES AND THE ESTABLISHMENT  
OF NEW FACTORIES IN THE MEZZOGIORNO

The Istituto per l'Assistenza allo Sviluppo del Mezzogiorno (IASM) is an Italian organization which provides technical assistance for the development of industrial zones and the establishment of new industries.

The Institute was formed in 1962 for the following two purposes: first, to stimulate action in Italy and abroad for attracting new industries to the Mezzogiorno; second, to help industrialists in all phases of programming and setting up their enterprises. IASM has extended its activities by providing assistance to the consortia in setting up industrial areas and nuclei in the Mezzogiorno. It gives them free consultancy to solve their structural, organizational, juridical, fiscal and other problems; it helps them to co-ordinate their action on a wide territorial basis, thus limiting irrational competition, to make more effective their propaganda and promotion work for attracting new industries, to improve their relations with entrepreneurs, and so on. In doing this, it does not in any way interfere with the autonomy of the consortia.

IASM is a legal private body, but its aims are eminently public. The organisms with which it is associated and which contribute financially to its operation are public bodies - the Cassa per il Mezzogiorno and the special credit institutions for the industries of the South. It does not operate for profit and its services are by and large free of charge.

There has always been a lively interest in many countries in the experience of industrialization of the Mezzogiorno and the co-ordinated effort undertaken to achieve it. It is only recently that concrete international collaboration was given to this effort. Financial assistance in the form of loans either from the World Bank or the European Investment Bank has been a real contribution to industrialization. These loans however, have always been single individual investments for some specific works in the Mezzogiorno, some of which in the industrial zones. This purely financial assistance has had no incidence on the methodology of the industrialization process and much less on its concentration through industrial zones.

One international co-operation project which aimed, among other things, at localizing part of the industrialization process, was begun some years ago in Sardinia, through the establishment of a so-called "pilot-zone" for integrated development. It was carried out chiefly as an experiment by OECE - today Organisation for Economic Co-operation and Development. But the most consistent results of this experience - which are still valid today - have been more in the artisan sector than in industry properly speaking.

Quite different is the present programme undertaken under the sponsorship of the European Economic Community for the creation in the Mezzogiorno of a real "development pole" in the Puglia region. A consulting group, "Italconsult Company", carried out a very thorough study in which all the resources and the geographical and socio-economic characteristics of the "pole", which comprises the three major centres of Bari, Brindisi and Taranto, were fully examined. A certain number of "motive" industries which could be profitably located in the pole were selected. A detailed programme was drawn up for each industry, which sets forth the fundamental economic and technical factors on the basis of which entrepreneurs may arrive at well-considered judgements. A practical search has been carried out on an international scale by the interested industrial groups to implement the programme and its passage from study to the operational phase is imminent.

This is the first practical industrialization experiment to be carried out in the Mezzogiorno with international support. It is evidently too early to make now a forecast of its results. But it is certain that these will be of high value for developing countries all over the world and the developments over the next few years will be of interest.

## IX. CONCLUSIONS

The experience of the Mezzogiorno, both positive and negative, may provide some lessons to countries where economic and social conditions are not too dissimilar. Though adaptations and modifications are necessary on account of the extreme variety of local and regional situations, some conclusions drawn from that experience may be valid elsewhere.

These conclusions and suggestions, some of which have been hinted at earlier, are now summarized.

### (a) Relations between political and industrial circles

The establishment of industrial zones requires technical and economic action which, to the maximum extent possible, should be free of political interference.

It is only too true that in many developing countries - and even the more advanced economies are not free from it - there is a tendency for too much politics to be mixed up with economics. This is often so in the case of industrial zones both as regards their organization and their operation.

It is hardly necessary to say that such a situation should be avoided wherever possible. Industrial zones should be built and operated without political pressure or interference, on the sole basis of technical and economic criteria. Only thus can one be sure that the zones will gain and maintain the confidence of local operators and of those from outside. Such confidence is indispensable if the estates are to achieve their objectives.

Naturally this does not mean that the industrial zone should be a kind of "state within a state" as far as its organization and activity are concerned - that is, an entity not subject to general political direction. But it does mean that central and local political authorities should not in any way impinge upon the structure and operation of the zone.

### (b) Number of zones

Attention has been drawn earlier to the undesirability of a proliferation of industrial zones in the Mezzogiorno. One can never caution too much against proposals to increase in a given area the number of industrial zones, often as a result of irrational political pressures. Naturally, the number of zones can be reasonably arrived at only on the basis of surveys of the

special situation in each country or region, such as the extent of the territory, the possible alternative sites in relation to natural resources, major communication networks, and so on. It may often be preferable, within certain limits, to risk turning down some quite productive project, than to invest in infra-structure and create superfluous organisms which only confuse and discourage the operator without helping him in making his choice.

(c) Choice of location for industrial zones

It is impossible to dictate a priori the theoretical and absolute criteria for the choice of location of industrial zones. It is better, at least in the beginning, for the governments and agencies concerned, to try to conform as far as possible to the natural tendencies of industrial concentration, than to attempt to force the preference of the operators, except in obvious cases where this may result in economic, demographic and other distortions. If, for example, entrepreneurs show a clear preference for a certain large population centre, an attempt should be made to set up an industrial zone, certainly not in the urban perimeter of such a town - this might cause insuperable problems of town planning - but not too far away.

The situation is naturally different when there is more than one zone and there is a stated intention to scatter industrial location, or when alternative locations are suggested by the existence of certain raw materials, such as mineral and agricultural products, or by power in the neighbourhood. In such cases some amount of "compulsion" disregarding the spontaneous preference of the entrepreneurs, is advisable. This may succeed, however, only if what is offered is not only land with basic infra-structure but also certain other indispensable services - such as workers' housing, shopping centres, schools, and the like. In the absence of these, the economic advantages due to the establishment of industrial enterprises would run the risk of being cancelled out by fairly serious social disadvantages.

(d) Choice of administrators and managers of industrial zones

When choosing the men responsible for setting up and operating industrial zones, it should not be forgotten that the tasks they have to perform are extremely delicate and the problems facing them - legal, economic,



technical, and organizational - are very complex. Experience shows that the success of an industrial zone lies fundamentally with the choice of the men who will direct it. In Italy, selection has frequently been influenced by political considerations and the importance of appointing competent persons has not always been given due weight. This matter has been so strongly felt in Italy that it has been the subject of a circular in 1964 from the President of the Committee of Ministers for the Mezzogiorno. This emphasized "the necessity for consortia which are public bodies to use their autonomy by being especially careful to entrust responsible posts to technically qualified men who are aware of the novelty and new spirit which inspires the legislation for the Mezzogiorno. In other words, the consortia must avoid the harmful mistake of putting at the head of organizations which have to perform fundamental duties of promotion and management requiring technical and economic knowledge, men who may be illustrious in other fields but who do not have the specific qualifications for such tasks".

It may be said that only rarely have men with special industrial experience been appointed in the industrial zones of the Mezzogiorno. This has been a negative factor which in some cases has had important repercussions, since the public officials and politicians who have generally been made presidents and directors of industrial zones have not always shown that they possess the ability, competence, energy, and independence of judgement required. A close contact with the world of industry - whether in the private or the public sector - seems therefore to be most advisable.

(e) The need for additional facilities to promote industrialization

The experience gained seems to show that the establishment of industrial zones offering improved land on good terms is not in itself, except on rare occasions, sufficient to bring about an effective concentration of factories and to attract new initiatives from outside.

To achieve this, the following conditions appear to be necessary:

Industrial zones would function more effectively if medium-scale industries badly sited in nearby localities and wishing to expand were transferred to the zones.

Industrial zones would stimulate the establishment and modernization of local small-scale industries if, apart from land and infra-structure,

essential services were offered, especially ready-to-use standard factories and industrial extension services.

Industrial zones would effectively attract new initiatives from other regions or from abroad if competition by other communes or territorial bodies offering zones, sites and other inducements, were appreciably reduced; and if special advantages, such as tax concessions, credit facilities and other incentives were made available exclusively to the industries which establish themselves on the industrial zone.

In the absence of some or all of these conditions, it is unlikely that, especially today when international competition is on the increase, the establishment of industrial zones of the traditional type would be sufficient to induce a steady flow of new industries from outside into the zones.

(f) Legal and financial structure of the zones

It has been mentioned earlier that, in the Mezzogiorno, the consortia setting up industrial areas and nuclei are public entities organized in collaboration with local territorial bodies - communes, provinces and in some case regions. In the North of Italy there are privately-sponsored zones. In other countries, the organization of industrial estates, parks and areas varies considerably: some are privately-sponsored, profit-motivated ventures; other are private but seek objectives of public interest and are usually closely linked with the competent public administrations; some private companies have investments guaranteed by contributions and long-term loans from Ministries which exercise various kinds of control over the estates, even to nominating directors and so on; some estates have a mixed (public and private) organization; others are purely public bodies.<sup>8/</sup>

The following conclusions are suggested by the experience in the Mezzogiorno:

- Public sponsorship and organization has some advantages, in particular the fact that the zone does not serve the special interests of some individual enterprise, but also some important disadvantages such as possibility of local or central political interference, dead-weight of bureaucracy lengthy procedures, and the like.

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<sup>8/</sup> See United Nations Industrial Estates: Policies, Plans and Progress - A Comparative Analysis of International Experience 1966. (Sales No.: CC.II.B.16).

- Zones sponsored by private companies working in the public interest might often be a good formula.

- Financing of the zones should not be limited to land acquisition and infra-structure work but should also be made available for management expenses.

- Especially in a developing region, it is very unlikely that sufficient financial resources would be available locally - at least for infra-structure work; -consequently, the financial intervention of the State is almost inevitable.

- On the other hand, when the State finances the whole operation, in particular through grants, there is a risk of perpetuating or aggravating the tendency to wait for outside help which is so common in depressed areas. Since the conscious and active participation of local interests is indispensable, it is useful, whenever possible, to provide at least a part of the funds needed by the zone in the form of low-interest, long-term loans for which the management of the zone would be responsible and which should be repaid out of revenues coming from the operation of the zone.

(g) Propaganda to attract new industries to the zones

When there are several industrial zones in a country or region, care should be taken that propaganda in the country or abroad should not be undertaken by any one zone on its own. Publicity should be co-ordinated between all the industrial zones to avoid confusing the entrepreneurs.

Any form of propaganda to attract industries to a given zone - publications, pamphlets, leaflets, meetings, contacts with operators by mail or in person, conferences, and so on - should contain information on the characteristics of the zone, such as geographical position, proximity to highways, technical and economic advantages, existing infra-structure, resources of power, raw materials, skilled workers, training schools, and so on. If possible, information should be given on the industrial enterprises already established and the productive sectors which would seem to be most suited to the zone. Above all reference should be made to the markets on which the products may be sold. General information is useless and has even an opposite effect to that hoped for. The special advantages, existing or potential, in the country or region and which apply to the enterprises setting up in the

zone should be stated realistically, so as to avoid creating illusions or making promises that cannot be fulfilled.

Propaganda will be all the more effective if concrete projects are thoroughly worked out for specific industries which could be set up in a zone; such projects could be submitted to local, national or foreign groups already operating in that particular industrial sector. They can be prepared without excessive cost when they concern small-scale and medium-sized enterprises but not large industries.

(h) Promotion of small-scale industries

In any country, many small-scale industries are characterized by their structural and organizational weakness, and by the strong individualism of their owners-managers, which makes it difficult for them to collaborate with other industrialists, even though there is great need for such co-operation.

A fully-equipped industrial estate offers good opportunities for overcoming these disadvantages. It enables small enterprises to benefit from a rational organization of their productive activities and from co-operation with other enterprises in the same or connected sectors.

Some of the more important features of such an industrial estate are as follows:

- Construction of "standard factories", or blocks of industrial buildings with individual units separated by easily removable prefabricated partitions.

- Provision of common productive services for small and medium industries, such as warehousing, repair shop, test laboratory, joint use of machinery, rental of machinery, specialized training for workers, and so on.

- Provision of ancillary services which are equally important, such as transport, catering, crèche and schools for the workers' children, meeting halls and clubs, health centres, and so on.

- Provision of common services for the commercial operations of small-scale industries, such as joint exhibitions of products, joint publicity and salesmen, common procurement, and so on.

- Advisory services on technical, organizational, commercial, financial and legal matters, and tax consultancy.

An almost unlimited range of facilities and services of this type may be provided in industrial estates. As a rule, not all the necessary services can be provided from the outset, nor is it advisable to do so without having first carried out surveys of needs and possibilities, and explored the potential for co-operation between industries. It is certain, however, that the grouping of a number of enterprises in the same locality and in rationally designed buildings, apart from other obvious advantages, can facilitate co-operation between individual productive units. Today, such co-operation and/or provision of services and assistance which small enterprises cannot provide for themselves is a fundamental condition of their development, especially in developing countries.

Such services are useful not only for small-scale industries but also for artisan industries. In many developing countries where artisan activities are common, industrial estates could set aside special space and buildings for them.

In this connexion it should be noted that small industries and artisan workshops situated in the central zone of cities are frequently irrationally organized, unhygienic and have to meet high costs and rents. The transfer of such workshops into industrial estates offering decent accommodation at a modest price can often be the only means of eliminating factory problems in the city.

(i) Complementary relations between large and small industries

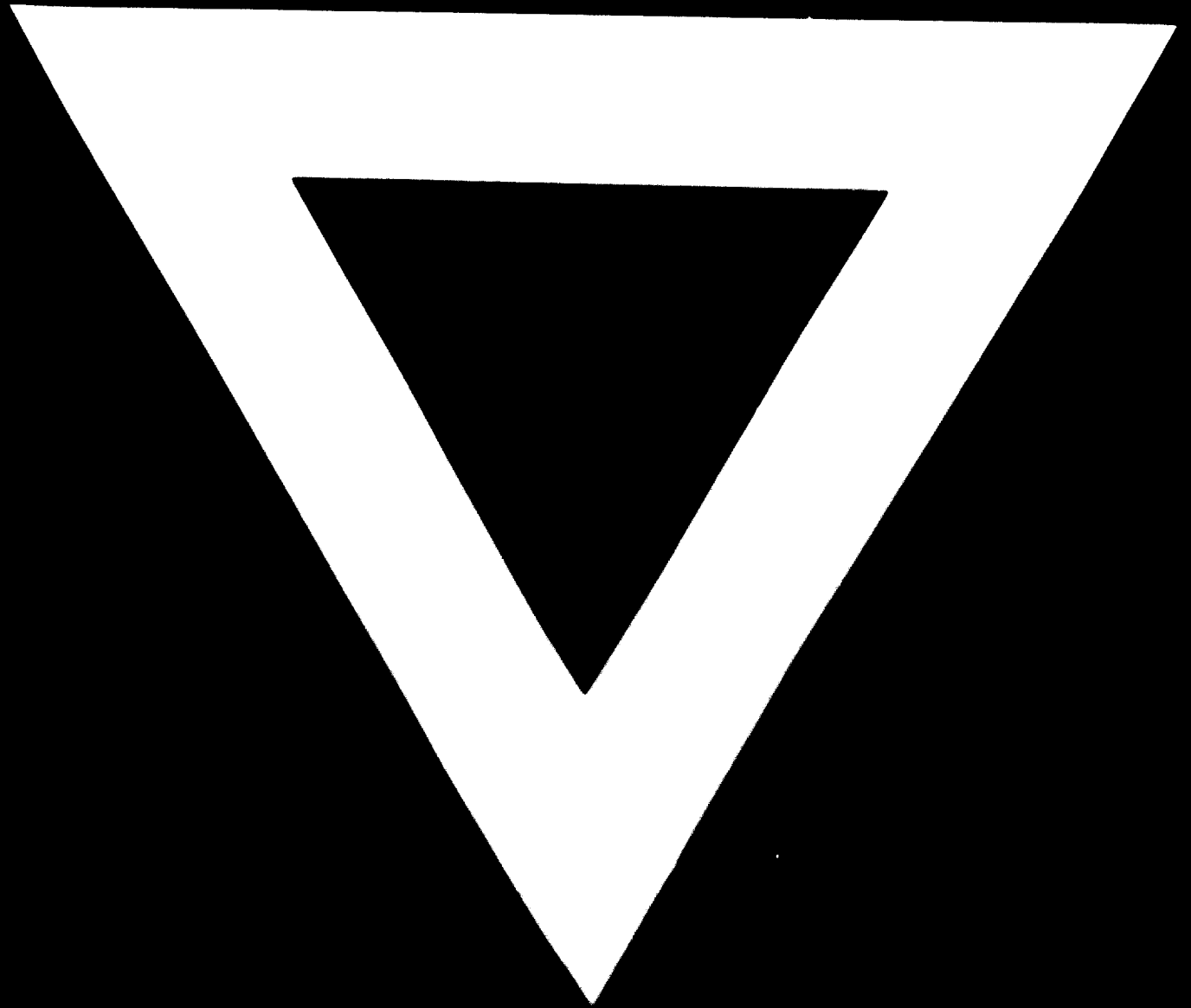
Some reference has already been made to the technical, organizational and psychological obstacles to the establishment of complementary relations between large and small industries. It may be of interest to mention here an initiative which has recently been taken in the Mezzogiorno, as an experiment. It is the formation of what is called a "sub-contractors' exchange", on the model of those set up in France and in some other developing European countries, such as Spain and Greece. An exchange is basically an information centre which can be used by all industrial enterprises - especially in the engineering sector - of a certain territory for placing and receiving orders for the supply of mechanical parts or for the use, for a certain number of days or hours, of certain machinery.

The exchange facilitates the establishment of subcontracting relations between small and medium enterprises and, whenever possible, between small and large enterprises. The experiment under way in the Mezzogiorno is conducted by the consortia sponsoring industrial zones in certain regions, in particular in the Puglie. It is intended to promote closer and continuous relations between enterprises established within and just outside the estate. <sup>2/</sup>

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<sup>2/</sup> A comprehensive study of subcontracting as a means of promoting small-scale industries in the developing countries will be published by the United Nations in 1967 [Editor's note<sup>7</sup>].





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