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DEVELOPING AND MANAGING INSTITUTIONS
FOR INDUSTRIAL DEVELOPMENT*

by

M.J. Esman**

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** Director of the Centre for International Studies, Cornell University.

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I. INTRODUCTORY COMMENTS: CONTEXT AND STRATEGY.

UNIDO is to be congratulated for the attention it is now devoting to the role of institutions in industrial development. For too many years, this essential element in industrial development has been neglected. Students of development agree that institutions cannot be built in a social vacuum. They must be appropriate to the particular circumstances of the country in which they function and the society that they serve; and they must be instrumental to the strategy of development which is adopted by the country's leadership. This calls for a few observations on the context of industrial development which will guide our subsequent argument.

Though every country is distinctive, those in the early stages of industrial and manufacturing development tend to have several features in common: a very large majority of the people live and work in rural areas and derive their livelihoods from farming, cattle-raising and similar primary occupations; capital is relatively scarce and expensive and so is foreign exchange; the infrastructure of roads, electric power and similar facilities is limited and is concentrated in one or a few urban areas;

technical and management experience and related skills and training facilities are limited; the domestic market for industrial products is small due to relatively small population and the low cash incomes of the great majority of people, especially those in rural areas.

These circumstances suggest the lines of an industrial development strategy whose objectives are to spread benefits and opportunities to participate widely among the people, to achieve efficiently in the use of scarce resources, and to lay the groundwork for continuing and healthy development of industrial activities. The strategy suggested calls for industries that are employment intensive, maximize the use of local materials and locally available skills, foster local entrepreneurship and the development of domestic managerial and technical capabilities, and disperse industry throughout the country. Such industries are likely to be relatively small in scale whether measured in capital investments, output or employment to favor small-scale technologies, and to cater primarily to domestic mass markets, but without ignoring export markets when it is possible to capitalize on some comparative advantage in skills, location or raw materials.^{1/} An industrial development strategy oriented to domestic market must be complementary to policies for increasing agricultural productivity and production, especially by the mass of small cultivators. This is essential to the expansion of domestic markets and the development of industry that caters to the needs of the majority of the

^{1/} For a presentation and analysis of the benefits of such a strategy see Michael Feiner, Gene M. Tidrick and David Williams, "The Range of Strategic Choice in Tanzanian Industry", Journal of Development Economics, March 1976, pp 257-275.

population.

Two important cautions should, however, be noted: 1) countries should avoid the temptation to go the easy route of developing an industrial structure of highly protected, import-substituting industries which produce luxury and semi-luxury products at very high unit cost for a small section of the urban population, preempt the country's scarce capital and foreign exchange and provide very few jobs while aggravating the unequal distribution of incomes. While a few capital intensive industries may be desirable in order to reduce dependence on foreign sources of supply and to lay the groundwork for future industrial development by stimulating backward and forward linkages - in effect "walking on both legs" - countries should avoid being locked into inefficient and high cost industrial structures which neither cater to local mass markets nor have any prospect for exports. 2) Governments should hesitate to assume a major role in the operation of small scale industries. Experience indicates that this is not an activity that governments do well. This implies that incentives and consistent policies should be available to encourage and assist those who are willing to make the effort and take the risks of industrial enterprise, whether they be private individuals or groups, cooperatives or community organizations.

II. PRINCIPLES GOVERNING THE DESIGN OF INSTITUTIONS

Three principles should be emphasized in designing institutions suitable to the conditions and the strategies outlined above.

1. Keep the number of organizations small. Given the financial limitations under which governments struggle and the shortage of persons experienced and skilled in manufacturing technologies and in business management, governments are well advised to avoid the premature differentiation of organizations either by function or by type of industry. There is great danger that small specialized organizations will proliferate, none of which have sufficient capacity or resources to provide useful or needed services to those interested in industrial ventures. In their frustration, such organizations may never become institutions. They will waste the talents of their small staffs, but be unable to provide effective public services.

2. Emphasize multi-functional organizations. Combine in a single organization or in a very few organizations several related functions including promotion, research, finance, technical and managerial assistance and external linkages. This will serve three important purposes: a) It will enable the organization to achieve a scale adequate to serve its clientele both in the capital city and in the regions at a satisfactory level of technical performance, to expedite favorable decisions with other government agencies, and to represent and fight at the political level for policies and resources needed to support and sustain industrial development; b) it will facilitate coordination among the various specialized functions that are important to launching and supporting specific projects and will help to avoid the delays and the communications bottlenecks

inherent in coordination between several independent bureaucratic agencies; c) it will greatly simplify the problems of the interested public. The entrepreneur will have one or at worst a very few government offices to deal with, instead of being shunted back and forth among several specialized agencies in order to get his project off the ground.

3. Locate the institution or institutions high enough in the structure of government to enable them to perform effectively their political as well as their linkage functions. Even though many related functions may be combined in a single organization, as indicated above, not all functions related to industrial development can ever be so combined. For example, the Central Bank will probably continue to allocate foreign exchange, and the Public Works Department will continue to control highway construction and water supply. In addition to serving its clients, industrial development institutions will have to work with other agencies whose main concerns are not with industrial development and attempt to persuade them to attach high priority to industrial development needs and to act favorably on individual cases. Unless the institution has sufficient standing in the competitive structure of government, it will be unable to gain the necessary access to other decision-makers or to exercise effective "clout" on behalf of industrial development. The real priority that governments attach to industrial development can often be gauged both by

the resources they allot to such activities and by the level at which they locate its functions in the beauracritic hierarchy.

III. BUILDING AND MANAGING INDUSTRIAL DEVELOPMENT INSTITUTIONS

Institution builders have two simultaneous tasks: 1) to build and guide an organization or a network of organizations committed to a common purpose and 2) to manage its linkages with other organizations, groups and individuals which are important to the successful accomplishment of its mission. In the discussion which follows, I shall be drawing on a set of institution-building variables drawn up in the framework of a research program which has applied these concepts to a number of developmental ventures in many sectors and in many countries.^{2/}

The purpose of institution building is not merely to build viable and self-sustaining organizations. This is a necessary but not sufficient condition of successful institution-building. The broader purpose is to insure that the innovations which a new organization represents become accepted and valued elements of the environment in which it functions and are broadly supported and institutionalized throughout the society. The organization must take into account and adapt to the realities of the society in which it functions, but the organization is also a dynamic agent of

^{2/} For a presentation and analysis of the institution building framework see Milton J. Esman, "The Elements of Institution Building" in Joseph W. Eaton (ed) Institution Building and Development: From Concept to Application, Sage Publications, 1972. See also Melvin Blase, Institution Building: A Source Book, 1973, distributed by Sage Publications, Beverly Hills, California.

change. Thus, in a successful institution building effort the society adapts in important respects to the innovations which the organization represents. In the case of an institution committed to industrial development, this would mean that other agencies of government shift their priorities in the direction of industrial development and that they incorporate this priority and the strategies of industrial development represented by the new organization into their own operations. For example, the Ministry of Education adjusts its curriculum to include training at all levels in skills required by manufacturing firms. When these changes have been brought about an organization can be said to be institutionalized within its environment.

There are five main functions which must be taken into account in building an organization which seeks to achieve institutional status:

A) Leadership. An organization committed to introducing and sustaining important innovations in its society -- new services or improved ways of doing things -- must have effective leadership. The leadership must be technically, managerially and politically competent. It must be fully committed to the purposes for which the organization stands and thus prepared to work hard for them in the face of limited resources, and of scepticism, disinterest and even among important groups in its environment. And it must enjoy reasonable continuity so that it will not have to suffer the loss

of momentum and of experience and the uncertainties which so often occur when leadership changes.

Leadership is properly conceived as a group process, not as an individual phenomenon. Leadership groups should share and divide responsibilities for technical supervision, external contacts and internal management. The organization must have a program for developing managers from within so that they may be available to move up when needed and so that the top management of the institution may combine both people selected from the outside on political grounds and those chosen from the inside on the basis of experience and tested performance.

B) Doctrine. An organization which is attempting to produce changes and to impress its value upon society must have a clear doctrine, a statement of the organization's purposes and priorities and the methods by which it will carry out these functions. Doctrine serves two main purposes: it contributes to cohesiveness -- a sense of common purpose within the organization - and thus helps to orient the staff to common objectives while facilitating internal communication and consistent action. It also projects to those outside the organization an authoritative image of what the organization stands for and how they can expect to relate to it. Doctrine is useful both in building support and in making the organization's activities more predictable to those who must deal with it. Though elements of institutional doctrine may change over time, they are likely to change

only slowly and gradually. Thus, doctrine can be considered an element of stability in the relationship of an organization to its internal and external publics. It indicates what the organization stands for and how it can be expected to behave.

The doctrine of an industrial development institution might incorporate some of the broad strategies of industrial development for which the organization stands and which it might be expected to implement. These might include the intended role of industry in the country's economic and social development, types of projects to which it would be likely to grant first priority, questions of foreign versus domestic ownership and control, and the kinds of assistance the organization would be prepared to offer. Because entrepreneurs so frequently suspect that government-supported agencies are more likely to regulate than to help them, the theme of service and assistance to aspiring entrepreneurs ought to be prominently emphasized in the organization's doctrine. A successful industrial development institution must be client-oriented.

C. Program. The organization's program represents the translation of doctrine into daily operations, how its resources will be allocated among alternative and sometimes competing activities, what kinds of clients it will serve, and what specific services it will offer. The elements of program are likely to be flexible and pragmatic and to change with experience, circumstances and stages of development. While the emphasis may shift over time, the program components of an industrial development organization are likely to cover 1) public information and promotion, 2) managerial and technical training, 3) research on industrial

opportunities (including technical and economic feasibility of specific projects), on processes, and on products, 4) facilitating the establishment, expansion and increased efficiency of enterprises including access to credit and foreign exchange, technical and managerial advice and consultancy, sites and services, and assistance in marketing, and 5) fire-fighting, helping to solve specific problems as they arise.^{3/}

Because of the numerous specific activities that are essential to the implementation of any effective industrial development strategy, it is not likely that a single organization can perform all these functions itself. Much of the program will require the cooperation of other agencies. This might include, for example, skills training which would probably involve the Ministry of Education, allocation of foreign exchange controlled by the Central Bank, and electric power which is distributed by an Electricity Corporation. Aside from what the organization can do directly for its clients, it must attempt to see that important industrial development services are performed by other agencies in ways that are congruent with its development strategies and helpful to its clients. This dimension of institutional development will be discussed below under the heading of "linkages."

^{3/}A good list of the various functions suitable for industrial development institutions is found in Laurence L. Barber's monograph, Institutional Infrastructure for Industrial Development, UNIDO/ICIS 36, 1977, p. 21.

D) Resources. In order to implement its programs, any organization requires resources. There is a close relationship between resources and program. An effective program builds up support which enables an organization to claim and attract additional resources. Resources, in turn, both make program activities possible and limit the activities that can reasonably be undertaken. Organizations must use and manage the resources they have efficiently in order to justify continued access to them, but they must resist the temptation to expand their activities beyond their financial, personnel or informational capabilities to prevent failure and loss of confidence by those whose support is important to effective performance.

Three major classes of resources are essential to organizational performance:

1. Personnel with the varieties of skills and commitments needed for industrial development. This is unquestionably the most important asset of any organization and one that requires continuous cultivation. Persons with appropriate skills are not likely to be available on the domestic labor market of early industrializing countries. Staff development must therefore be planned and carried out systematically as a long-term investment in the organization and in its social purposes. Training must be tailored to the needs and potentials of individual staff members and provided on the job, in academic institutions or through practical experience within the country or abroad.

The organization must attempt to provide job satisfaction for its staff in order to retain them in the organization once

they are trained and to maintain enthusiasm and high-level performance, often in the face of the frustrations and disappointments that any development agency encounters. Salaries and promotional opportunities are, of course, important to the individual staff member but opportunities to exercise initiative and to see the good results of their own work are essential to job satisfaction, because there are inevitable limitations in salary, prerequisites and promotions in government-related organizations.

Moreover, turnover in many parts of the organization is likely to be large because good employees will attract good offers from the outside which will be hard for them to resist. They may welcome the opportunity to manage specific enterprises rather than work entirely in facilitating operations owned and managed by others. To provide cadres for new or expanding industries may be a very useful function for an industrial development organization, contributing to the nation's industrial development, even though it confronts the organization and its leadership with the continuing and expensive task of recruiting and developing personnel with a wide variety of technical, professional and managerial skills. So long as it can maintain acceptable levels of competence among its staff, rapid mobility and advancement within the organization may be an important source of job satisfaction given the limited salaries that governments can usually provide. Staff development will therefore be a continuing concern for the leaders of industrial development institutions. What must be avoided, however, are conflicts of interest among ambitious

staff members who look to eventual careers in industry and former staff members now in industry who may expect inequitable attention and even illegal preferences and favors.

2. Information. No organization can discharge its responsibilities without accurate and current information and this is certainly the case with industrial development organizations. The organization needs to establish and maintain flows of information about a) existing enterprises, their performance and their capabilities b) domestic sources of skills, finance and raw materials, c) market opportunities domestic and abroad d) specific sources of training and skills development both domestic and foreign, e) technical data and sources of data about processes, products and managerial methods suitable to the circumstances of the country and f) absolute and relative cost factors for all the previously mentioned classes of data. Its sources of data should be both domestic and international, depending on the subject.

Ways must be found not only to acquire and insure the flow of such essential information, but also to see that it is recorded and stored in ways that make it readily accessible to prospective users both in the organization and outside. This is especially important for an organization with a rapid rate of staff turnover and with a diverse and geographically dispersed clientele. Industrial development organizations must thus invest in acquiring, processing, storing and especially in diffusing information essential to its mission. Organizations cannot function either in an information vacuum or in an ocean of unprocessed data. Since potentially useful information is nearly infinite and the processing of information expensive,

priorities must be assigned from time to time depending upon the priorities which the leadership estimates for the near or midterm future for each branch and major activity of the organization. Like personnel, information must be carefully planned both as to acquisition and use because it is both relatively useful and relatively costly.

3. Funds. Money is essential for building and operating an organization and carrying out its program. In the case of an industrial development institution, funds are necessary for staff development, for research, for the diffusion of information, for providing advisory services, and for the multiple forms of assistance required by small industry. It is important also that an industrial development strategy facilitate the access of new industrial entrepreneurs to sources of investment and working capital. These financing functions should normally be performed by banking institutions in the public or private sectors, by financial intermediaries, or by informal associations of savers and users of funds, but under some circumstances a multifunctional industrial development organization itself may have to control and allocate some funds. In any event it should be able to influence the establishment of criteria and priorities for the allocation of investment and working capital funds, including the terms on which loans are made - which should generally not contain a subsidy element. Its expertise should assist candidates for loans to prepare and present convincing loan applications and help them to set up financial management systems. Good financial and management information systems will help to insure that loan funds are properly used and

accounted for, and thus protect the credit worthiness of new firms as well as the capital funds dedicated to industrial development.

Funds for industrial development organization are likely to be available from three sources: government budgets, foreign assistance and the sale of services. In the early stages of industrial development it is unlikely that industrial development organizations can earn significant funds from the sale of services. Foreign assistance in the form of advisory informational, and consultative services, overseas training opportunities, grant funds to support the operation of industrial development organizations, and loan funds to provide capital for industrial ventures including foreign exchange costs are likely to be available from a number of bilateral and multilateral sources for well conceived programs and institutions. Thus the financial burden on government budgets and on domestic savings can be relieved and shared by foreign assistance from many sources. External assistance can supplement, but never fully substitute for financial support by government.

Clearly the reliable flow of funds for the operations of industrial development organization and for project lending must be an important preoccupation of institutional leadership. The continued availability of funds is likely to be dependent on the organization's performance - on the record it establishes for efficient and effective assistance to new industrial enterprises. Between the establishment of a new organization and the time that it can reasonably be expected to have an impact on

industrial development there is likely to be a period when it is assembling and developing staff and building up its informational resources. During this period it is unreasonable and premature to judge the organization's performance, except in terms of building its capabilities. During this time, which might last from two to three years, there must be a period of grace when judgments about effectiveness are withheld and funds allocated to the organizations are regarded as an investment in its future capabilities which are pre-requisite to any important impact it may eventually have on the country's industrial growth.

E) Internal Structure Every complex organization must have an internal structure which determines the division of labor among units and individuals performing specific specialized functions. Organizational structure determines formal lines of authority and affects the flow of information both within the organization and to and from its external environment. Whether the main breakdown should be by function (e.g. research, technical assistance, manpower development, financial assistance, public information) or by geographic area, or by clientele group (e.g. type of industry to be served) or by combinations of these principles depends upon specific factors in each country's situation, which cannot be dealt with in a general statement. At an early stage in every project activity, it is important that a single officer be made responsible for piloting the project through the various stages of evaluation, negotiation and action until it is implemented or dropped. This tends to fix responsibility and to provide a single contact point for the interested public.

There are two problems, which must be successfully dealt with by an organization attempting to serve a diverse and dispersed clientele:

1) Coordination among functionally specialized units within the organization or its network of organizations so that the specific priorities established by leadership can be maintained on behalf of the clients whom all of the units are expected to serve. Coordination, for example, among research manpower training, and technical assistance activities serving a single industrial firm can be facilitated by active and consistent policy and program direction by top management and by informal liaison within the organization, crossing formal boundaries of the administrative hierarchy in order to expedite common tasks. In order to facilitate informal team work of this kind, the organization must provide for sufficient decentralization of decision making so that informal coordination can occur down the line. If small decisions must float up to the top of the hierarchy, action will be slow and coordination on the ground on behalf of the organization's clients will be virtually impossible. Control from the top should be exercised by clear policy direction, reporting arrangements, and mediation of conflict, reserving only major decisions to the top while encouraging staff to take initiative in day to day operations. Thus general policies can be adapted to specific local circumstances and prompt, responsive services can be provided to clients. As previously mentioned, the opportunity

for staff members to exercise initiative and to take responsibilities is an important element in the maintenance of staff morale.

2) Extending Services to the Field. Most countries wish to avoid excessive concentration of manufacturing in the capital city and to disperse industry as widely as this can efficiently be done throughout the country. Indeed one of the benefits of a labor intensive industrial strategy based on locally available raw materials and catering to local mass markets in relatively small scale units is that it facilitates the dispersal of industry and consequently of employment benefits and opportunities for gaining experience in organizing, managing and participating in manufacturing activities. To encourage this pattern of industrial development it is important that basic industrial developmental services be located in regional centers throughout the country within easy reach of perspective entrepreneurs so that they may be encouraged to use the services of the organization and will not be compelled to make the long and often costly trip to the capital city when they are looking for assistance. Locating staff in the field represents a cost factor that some industrial development organizations may be tempted to avoid, especially since they cannot deploy a full range of services to regional centers except where a particular geographically concentrated industry appears to represent a high priority for the country's industrial growth. This temptation should, however, be resisted. Methods should be found to provide basic services nation-wide, to permit field personnel to make certain decisions on the spot, to maintain

ready contact through good communications facilities with staff members at the center who control specialized skills and information, and to facilitate travel from the capital city by specialized staff members. The organization might consider a field services unit in headquarters to backstop staff located in regional centers. Unless special steps of are taken to serve the field by such methods, the geographic pattern of industrial development will inevitable be skewed in favor of the capital city, where the infrastructure tends to be superior and facilitative services are concentrated.

F) External Linkages. As I have previously indicated, no organization is self-sufficient or exists in a social and political vacuum. The resources that an institution needs including authority, public support, information, and funds must come from outside its boundaries, and so do the users of its services. Institutional leadership must, therefore, devote considerable attention to cultivating the organizations and groups with which they must continuously interact. Indeed, one of the tests of successful institution building is the degree to which related organizations and groups have been persuaded to accept and adopt the values and the priorities of the organizations as their own. The management of external relationships may involve education and persuasion. It may involve the mutual exchange of services and support

which may, in turn affect the program priorities of the industrial development organization, or the way it makes its services available. At times it may involve conflict and compromise with other organizations over policies, scarce resources, or organizational jurisdiction, which will test the political skills of the organization's leadership. These external linkages are vital to the ability of an organization, especially when it is performing a new range of services to carry out its functions and must therefore, be a major claimant on the time and energy of organizational leadership.

Institutional leadership should develop "intellectual maps" of their external environment in order to determine which are the more critical relationships on which they and their associates need to focus, tactics for managing each such linkage, and the substantive trade-offs that may be involved in the give and take between them. These relationships must be periodically reassessed in the light of changing circumstances. Institutional leadership should not wait for crises to emerge but should anticipate the need for cooperation and for the cultivation of major linkages on their own initiative before serious problems arise. Moreover the management of external linkages should not be exclusively the responsibility of organizational leadership. It should also involve the efforts of middle level staff members in their day to day contact with

counterparts in other organization. They must be made aware of their responsibilities for developing and cultivating linkages which are essential to the successful performance of their activities.

Among the important linkages for industrial development organizations are those with:

1) Clients - existing industries which desire to expand otherwise to use the organization's services, prospective entrepreneurs who desire access to its resources, and local communities which hope to benefit from the location of new industries. The industrial development organization both guides and stimulates interest and activities among prospective clients and attempts to respond to their needs with appropriate services. The organization's promotional and public information activities will, of course, gain credibility only if they are matched by useful services especially since its success depends entirely on the performance of the industries it assists. Unless an industrial development institution is client-oriented and earns and maintains the support of those it is expected to help, its support base and ability to attract resources will be deservedly weak.

Therefore, a dynamic industrial development institution need not and should not wait to be approached by individual firms or prospective entrepreneurs for assistance. They should reach out aggressively to contact existing firms, craftsmen,

and communities who might be potentially interested in their services. This should include public, private and cooperative sector firms and groups. The institution may find it useful to organize its constituencies in advisory committees by region and by sector of industry in order to improve its sources of information, stimulate mutual cooperation among suppliers, processors, marketers and communities, especially in sectors to which the government attaches priority in its industrial development strategy, and to build a coalition of interest groups concerned with industrial progress. An organized constituency can help to link the institution effectively to the specific groups it is required to serve and overcome one of the most commonly noted deficiencies of industrial development institutions - the great gap between them and their prospective clientele.

2) Government Agencies. Some government agencies, including the President or Prime Minister and his principal advisors, and the Ministry of Finance provide the continuing authority the organization needs in order to operate. They also control its vital access to funds. Withdrawal of support from these quarters can result in the strangulation of the organization or in severely limiting the scale and the scope of its operations. The need to maintain healthy linkages with these centers of power are obvious. An industrial development organization may also require links with other organizations, e.g., the Ministry of Education and training centers on whom it may depend for industrial and management skills training, the Central Bank

for prompt and favorable decisions on the allocation of foreign exchange, the Public Works Department for highway connections and local authorities for the provision of land and related services. Each such linked organization is in a position to facilitate the work of an industrial development organization or to make problems. Thus they must claim the time and attention of institutional leadership even before specific problems develop.

3) Non-governmental organizations Depending on the economic structure and industrial development policies of particular countries, there may be private organizations, - banks which can assist in financing, trading companies that can participate in export marketing, importers which can facilitate the importation of capital goods, foreign industrial investors, and local agricultural and mineral producers who may be able to provide needed raw materials. Any of them may have roles to play in the implementation of industrial development strategies and of specific projects. It is important that compatible linkages be maintained with such private sector organizations so that the resources and services they can contribute will be available as needed and on mutually acceptable terms.

4) Foreign organizations There are numerous foreign agencies which may be useful to a national industrial development institution. Information on manpower training, on appropriate industrial technologies, on marketing, and on facilities and numerous

forms of technical, organizational and financial assistance are available from a variety of bilateral and multilateral development assistance agencies, including UNIDO. While it is important to insure that a country's industrial strategy is not dominated or dictated by outside influences, no matter how well meaning, carefully chosen external assistance can provide invaluable resources for planning and implementing the many facets of an industrial development strategy. Institutional leadership must therefore, get to know what kinds of services are available, on what terms, from what external assistance organizations in order to be able to make the most profitable choices and not to be locked in to the first few organizations that come along. It is usually prudent to diversify sources of external assistance, but not to the point that development programs lose their coherence or that the managerial burden of maintaining a very wide network of contacts begins to exceed the benefits available. The management of linkages with public foreign assistance organizations involves considerable negotiation, so that program and project needs can be matched with donor capabilities on mutually acceptable terms. It also involves skillful timing so that resources provided from outside and those provided by the country, for instance, external advisors and local counterparts, external equipment and local facilities can come together at the right time.

There are also numerous organizations willing to provide research, expertise, and financial assistance on a commercial basis, including foreign investors whose interests may be compatible with those of the country. The attention required by such linkages depends on a determination by the institution's leadership of how important they are to the national development strategy and the terms that can be arranged for cooperation. The superior information which is frequently available to foreign suppliers on all phases of industrial development makes it important that the industrial development institution, especially in its early stages, have available the services of individuals provided perhaps by international assistance organizations who have the technical skills and experience needed to evaluate the services and equipment which foreign suppliers are eager to offer.

Among foreign organizations which might be useful in the industrial development of low income countries are those located in other Third World countries. Some of them have had recent, successful experience in coping with specific problems similar to those now being encountered in low incomes countries and under similar conditions. This increasingly relevant source of support and cooperation is often neglected. Some such contacts may be available in neighboring countries, but they should not be limited to nearby countries. Information and cooperation may range from production processes, manpower training and management methods

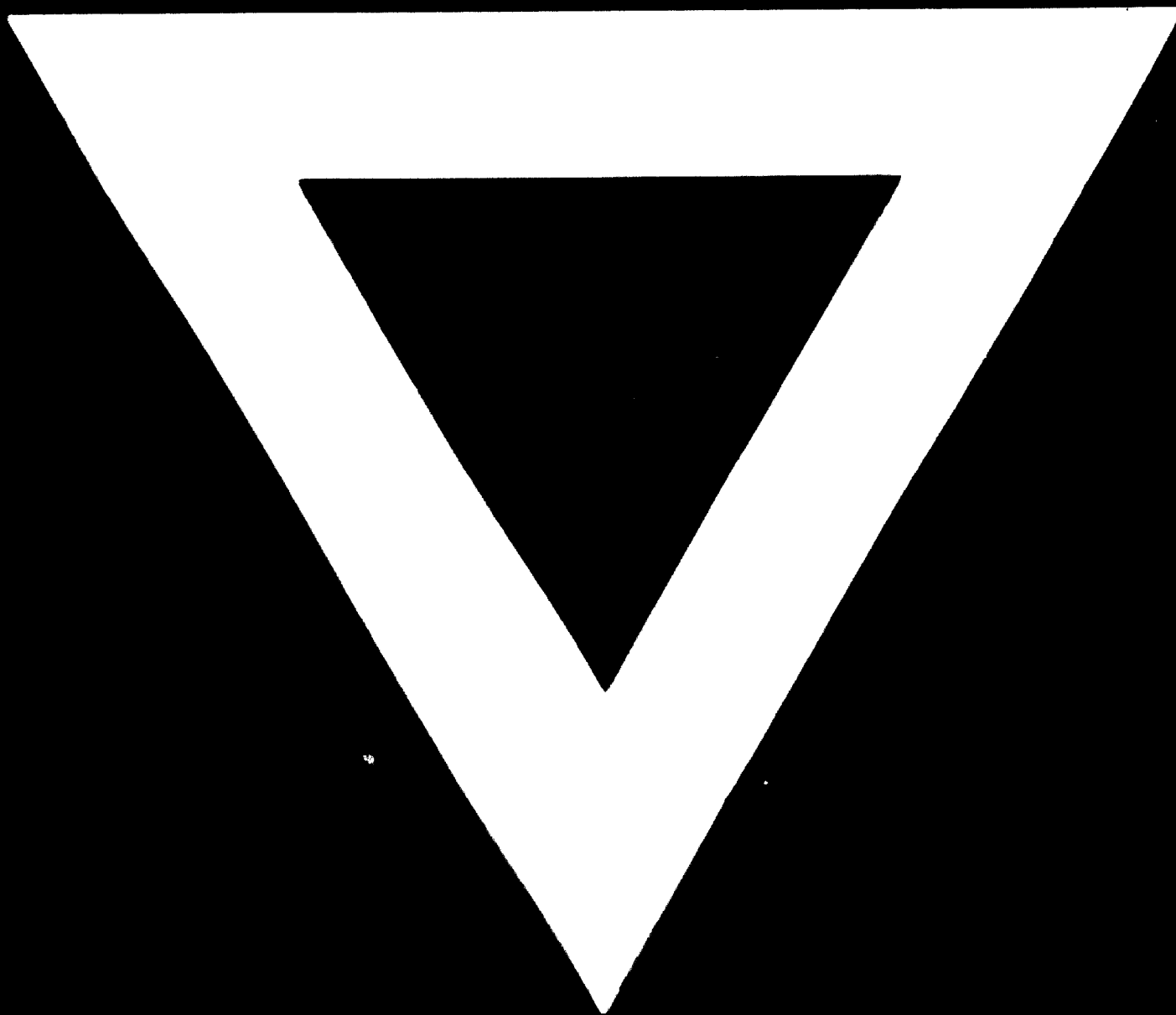
to market development and participation in joint ventures. UNIDO can perform a very useful service in fostering linkages of this kind.

IV. A Learning Process Institution building involves simultaneously the management of an organization or related networks of organizations committed to a common set of purposes and the cultivation of linkages with other groups which are important to the success of its institutional objectives. In the flow of daily events institution building becomes a continuous learning process, both about the organization itself and about its external environment, both of which are continuously changing. It is through this learning process that industrial institutions can adjust more effectively to new conditions including both constraints and opportunities, improvise ways to mobilize and use resources more efficiently, and develop better methods to impact effectively on their external environment, especially existing and candidate enterprise which in turn determines the success of national industrial development strategies. No matter how elegant the original institutional design or how well thought out the original industrial development strategy and policies, their implementation requires continuous modification with experience and with changing circumstances. Thus, institution building for industrial development is, in essence, a continuous learning process. To benefit from this learning process requires able and dynamic management. This in turn, depends in large measure the competence, dedication and continuity of institutional leadership.



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