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07449

Distr.
RESTRICTED

JNIDO/EX.14
21 April 1977

UNITED NATIONS INDUSTRIAL
DEVELOPMENT ORGANIZATION

ORIGINAL: ENGLISH/SPANISH

PORTUGAL

COUNTRY PROGRAMME - INDUSTRIAL SECTOR :

TECHNICAL ASSISTANCE PROPOSALS ^{1/}

Mission to Portugal

31 March - 8 April 1977

by

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UNIDO official

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1. Background information

The 22nd session of the Governing Council of the UNDP awarded Portugal an IPF of US\$4 million for the 2nd C.P. Cycle 1977 - 81.

At the end of 1976, UNIDO was requested by the Geneva office of the UNDP to submit proposals for technical assistance projects in the industrial sector.

In view of the generally high level of the industrial infrastructure - Portugal is close to a developed economy type in its productive sector - as well as of the involved managerial personnel - however, many of them being young graduates with little or no previous practical experience - UNIDO discouraged the establishment of integrated type of traditional UN technical assistance projects and suggested to concentrate instead on short term high-level inputs, and in substantial training activities either in the country or abroad. Furthermore, the UNDP assistance, to our mind, should support the various types of external loans already awarded or being negotiated and should be complemented by other bilateral and multilateral assistance, which was substantial. According to our information, such loans and technical assistance were rather under-utilized.

Subsequently, UNDP Geneva sent a mission composed of Messrs. Léonce Bloch and Majcher to assist in the preparation of a first draft of the Country Programme.

On 24 March 1977, UNIDO was informed by telephone and cable that a preliminary allocation of \$ 200,000 for the industrial and international trade sectors had been made. ITC was sending a mission to Portugal on 27 March for 10 days and UNIDO was requested to send a representative as well, to prepare - what we interpreted at the time - a joint industry - International Trade, Technical Assistance Project.

UNIDO delegated Mr. O. Gonzalez-Hernandez, officer-in-charge of programming for Latin America and Portugal, to carry out the mission. He left for Portugal on 30 March 1977.

2. General Considerations on the draft Country Programme

As it was mentioned above, conditions prevailing in Portugal were not always typical of a developing country. The Manufacturing sector accounted in 1974 for 35,6% of the GNP. Its growth during 1960-70 was on average, 9,1%. The general level of manpower is high - managerial, medium level and workers. On the other side of the scale, many of the social aspects of the economic life were more typical of a developing economy - with low workers wages; wage differentials extremely high; social benefits not very good and covering only a small percentage of the population; and unemployment, if low, had the price of massive emmigration. The economy was strongly fuelled by various spin-offs from the former colonies, by remittances from the emigrants and by tourism incomes.

The revolution of April 1974 revealed these crude factors, and the well known political difficulties which followed, the changing of the old guard, the hundreds of thousands of displaced persons from the former colonies, the oil crisis and the world economic depression, created an almost chaotic state in country. In April 1977, the possibility of joining the Common Market, set new goals to be attained not always possible or easy, considering the present conditions. On the positive side, the different problems mentioned above are in the process of being solved, government machinery is slowly coming back to life, sectoral development plans being made and in most sectors of the economic life - industry included - recovery is visible.

Against such a background, it is easy to accept that the approach for the preparation of the Country Programme for Portugal should be rather different than for most of the developing countries. Most of the officers met - even if some of them young graduates with little experience - have prepared rather good development programmes in their spheres of competence and assistance is only required in relatively short and specific inputs, thus, confirming our original comments to UNDP. The preparation of technical assistance proposals in the industrial sector was therefore guided by such an approach. What may seem to be, at a first glance, a rather unco-ordinated array of technical assistance inputs, comprise, however, the only external inputs needed to carry out well defined development programmes which have been designed and will be carried out by the Portuguese officers themselves.

Looking through the draft Country Programme, it is felt, that this approach was not valid for the preparation of some other project proposals. Some of these proposals appear to be long-term and have resident-type of expertise. In addition, certain institutions or efforts and related projects are to be developed from scratch where perhaps, in the same field, certain other institutions or know-how, exist already in the country, which could be utilized as a basis and further developed with some external assistance.

As mentioned in chapter 1, the original instructions for this mission were to jointly develop with ITC a project in the industrial-international trade sectors. However, upon discussions with the ITC representative, it was felt that the technical assistance needs in the industrial and in the international trade fields were rather different, and difficult to amalgamate in a single project. Therefore, with full agreement of the representatives of the Ministries of Industry, Trade and Planning, it was decided to proceed with the preparation of separate sets of proposals.

Furthermore, while \$ 200,000 had been allocated for both sectors, it was found that a programme reserve of \$ 30,000 was not yet programmed. It was thus agreed to enlarge the scope of the proposals, since it was felt that this additional financing could be programmed as well.

In addition, certain technical assistance inputs which were identified could be financed from UNIDO's own funds and from other multi-lateral or bi-lateral assistance.

To finalize these comments on the draft Country Programme, mention should be made of an amount of \$ 180,000 which has been included there to cover non-foreseeable consultancies and fellowships. We would like to give our full support to such a proposal. Indeed, it is felt that during the course of 1977-81, high-level short term expertise will be required which cannot be programmed in advance. We foresee, for instance, that within the negotiations with the BEC, a number of issues will be raised which will require this type of advice. Furthermore, a number of study tours or short high-level courses may be urgently required also, to provide Government officials with specialized know-how.

Such an allocation would make it possible to meet this type of demands at short notice, when no other source of funds would be available.

3. Basic information on the Industrial Sector

The plan has been considered by the Portuguese Constitution as the fundamental instrument of development. The Industrial Development Plan is divided into three parts.

- Short-term plan for 1977. Completed on 15 November 1976.
- Medium-term plan for 1978-80 with a revision of 1977. To be completed on 15 May 1977.
- Long-term plan for 1981-90. To be completed in October 1977.

The medium-term plan is therefore, in the process of preparation. It will include an industrial survey (which is ready and available) and the main broad objectives and related strategies for the country's industrial development. The main objectives are five, as follows:

- Creation of employment opportunities.
- Satisfaction of basic population needs.
- Balancing regional growth distribution.
- Reduction of the external dependance level.
- Import substitution and export promotion.

While the industrial development strategy will be essentially import-substitution oriented, before 1980, other more open policies should be gradually adopted, having in mind the EEC membership which, hopefully, should occur before 1985.

As mentioned before, the general structure of the productive sector is not typical of a developing economy. Certain specific branches of industry are indeed quite developed, such as ship repairing, textiles and certain food industries.

The industrial survey which has been now completed for the medium-term plan gives a rather good quantitative picture of the mining and manufacturing sectors. Its analysis is advised to obtain details.

The Ministry of Industry and Technology was reorganized by the law-decree 358/76 of 4 May 1976. Its structure is indicated in the table attached as annex 1 to this report. Of special importance are the following new institutions created by that law-decree, which are presently under different stages of completion.

- The Industrial Development Institute (IDI) whose functions would be the launching of new industrial enterprises and to undertake general co-ordination in the country's industrial development, but presently serious doubts are cast on its coming to life.

- A Body for Training and Technical Information (Gabinete de Formação e Informação Técnica) which derives from two divisions of the INII (Instituto Nacional de Investigação Industrial), now being terminated.
- The creation from scratch of an Institute for Training and Upgrading of Managers which aims at public or part-public enterprises.
- A General Directorate of Quality which will amalgamate the Services of Standardization, Metrology, Industrial Security, Industrial Design and Quality Certification presently spread through different Ministries and Departments. Furthermore, this Directorate will co-ordinate the work of the other proposed institution below.
- A National Industry Laboratory, still in the idea phase, which would result from the amalgamation and up-grading of existing specialized laboratories for quality control, technology development and extension services to industry.
- The Institute for Small- and Medium-scale Industrial Enterprises - IAPMEI, created in 1975 and already fully functioning, which provides technical assistance to these enterprises, assists in obtaining finance and endorses the resulting loans.

4. Technical Assistance Needs in the Industrial Sector

a) IAPMEI - Instituto de Apoio às Pequenas e Médias Empresas Industriais

The small- and medium-scale industrial enterprise is defined by Portuguese legislation as having more than 5 and less than 400 employees and selling less than 100 million Escudos a year. 86% of all the country enterprises have less than 10 workers. Those with more than 100 workers represent only 2% of the total, and those with less than 100 workers employ more than 50% of all workers in the country. There

are about 14.500 small- and medium-scale industries in Portugal, of which 8.500 are registered with the IAPMEI. The IAPMEI has:

(i) a Service of Technical Assistance consisting of about 100 engineers and technicians spread through the country - continent and islands;

(ii) a Service of Promotion of Collective Actions, promoting amalgamations and co-operation between firms; and

(iii) a Service of Investment Promotion and Project Evaluation.

A number of external credit lines (EXC, EMFA) were recently made available to small- and medium-scale enterprises and it is the duty of this service to assist the industrialists to obtain the loans.

Assistance would be required in the latter point through an expert with experience in the evaluation of Industrial Projects, and six man-months of short-term consultants to assist in the carrying out of evaluations requiring rather specialized know-how or techniques such as cost/social benefit analysis. In addition, three fellowships of two months each would be required for the technical personnel of this service in the preparation, evaluation and promotion of industrial projects.

b) IFAG - Instituto de Formação e Aperfeiçoamento de Gestores

This Institution to be established more or less from scratch, will have the important function of turning out or up-grading managers for the public sector and those enterprises where the Government has a participation. This combined sector is indeed of an utmost importance since it comprises 24% of the added value, 19% of employment and 45% of Capital formation. This institution will be created under the aegis of the IPE - Instituto de Participações do Estado - which supervises all the enterprises with public equity.

For the establishment of the IFAG, there is an ID project proposal with a GEP contribution of 2.5 , .

UNIDO will get in touch directly with the IIE concerning possible co-operation in the field of training of management of industrial enterprises. However, we would like, at this early stage, to offer some comments concerning the creation of this institution.

The yet to be established GFIT - Gabinete de Formação e Informação Técnica - has among other functions the one of up-grading skills in broad and specialized management fields. However, this new institution, which will be covered in the next item, derives from two existing divisions of the INII - training and information - institution in the process of extinction. This institution has a long standing tradition in this field and proposes to continue, under the GFIT name, the question of management development for the industrial sector (public and private). For example, the 1977 programme of GFIT comprises about 80 different courses. Therefore, special care should be taken, on the one hand to avoid developing a training infrastructure which may be available already in the country, although in a different scale, and on the other hand to avoid the possibility of having two separate Government sponsored management development institutions - one for the public sector, and the other for the rest.

c) GFIT - Gabinete de Formação e Informação Técnica

This body is to be composed of two former divisions of the INII - Information and Management Development Training. A plan for the development of an information system has been developed and would need an appraisal by a UNIDO HQ staff member which has already been in touch with the IFAG in this connexion. A one week mission to start on 18 April and to be financed from UNIDO's own funds would be required.

In addition, a special programme for the training of information officers would be required as well as a number of specific individual fellowships for the managers of the proposed information system.

In the field of management development for GFIT, special courses for management instructors would be required. However, as mentioned in the item before, this question should not be dissociated from the IFAG effort. It is therefore recommended that the matter be given proper co-ordinating attention to avoid institution proliferation and the development of two parallel efforts. There is a long-range idea to create a post-graduate school for engineers and economists which would include as well as an engineering design centre. To crystalize the idea, the GFIT would need an expert from an institution such as the PERA in the U.K. for a period of about six months. This consultancy should be co-ordinated with UNESCO and the proposed ILP project. Follow-up work would be taken care of by means of bi-lateral assistance.

d) Directorate General of the Textile and Confection Industries - DGITV

Two separate efforts would be required in this industrial branch.

The first one would be composed of a six-month expertise in the reconversion of the textile industry for a more export-oriented and higher-waged labour type of approach. In addition, certain study tours or fellowships would be required to analyze the experience in the restructuring of the textile industries in certain European countries.

The second effort, which could be financed under SIS in 1978, would require assistance for the carrying out of a survey of the existing park of textile machinery with specific recommendations for its better utilization and the preparation of a master plan for the manufacture of textile machinery. A separate project proposal has been prepared by the DGITV and is available. A Government request would be needed for this SIS project.

e) Directorate General of Engineering Industries - DGIIE

To our knowledge, a specific development programme for these industrial branches has not been prepared as yet. Therefore, needs in technical assistance could not be specifically identified although they will centre around the following industries:

- Agricultural machinery and implements;
- Textile Machinery;
- Machine tools;
- Refrigeration equipment;
- Automotive and Rolling Stock Industries;
- Shipbuilding and Repairing;
- Electric Household Equipment;
- Foundry Machinery;
- Organization of Government Machinery in Engineering Industries.

The assistance has been computed in the following chapter in rather approximate terms. It is expected that the Government be able to refine this information in order to specifically determine the external inputs needed in terms of short-term expertise and fellowships.

f) Standardization and Quality Control

A very good programme has been prepared by the Directorate General of QC - DGQ and the yet to be created Industrial National Laboratory - INIL. The first body will comprise the services of Standardization, Metrology, Industrial Security, Industrial Design and Quality Certification.

Assistance would be required in the form of fellowships abroad in the areas above mentioned. In addition, equipment for the laboratory of metrology, to be developed almost from the ground up, would be required.

Under the TCDC scheme a number of contacts with other similar institutions in developing countries, particularly in the field of

metrology, could be sponsored by UNIDO.

The second body, in a lesser degree of development, will integrate physically and organically the different quality control laboratories presently spread through several Ministries and Departments. An upgrading of equipment would be required as well as some expert guidance in the overall effort.

g) Office of Work Organization and Labour Relations - GORT

This office is charged with the organization of work within the Ministry of Industry and Technology.

In view of the special conditionalisms regulating public offices within the Government machinery, it was felt that external expertise should be avoided and that the effort be entirely planned and carried out by nationals. However, in order to assist in this effort, a number of visits to Industry Ministries in other developing countries could be sponsored under the UNIDO TCDC scheme.

h) PRECIX - Sociedade Industrial de Mecanismos de Precisão

This company once privately owned and now Government controlled, has certain problems regarding contracts on transfer of technology which hamper possible and important exports of railroad equipment. Very urgent expertise is required in this line - one week, as soon as possible, but before the 23 April 1977 and three weeks after 15 June 1977. The assistance of the UNIDO staff-member Mr. H. Janizewski, who has assisted PRECIX on another occasion, would be required. This assurance could be exceptionally approved under SIS - New Dimensions - Direct execution by UNIDO Staff-members, for implementation in 1977.

In addition, the visit of this staff member to Portugal would be utilized to advise on other problems such as the contract regarding the flash smelting tests for pyrites minerals beneficiation.

1) Industrial Free Zones

UNIDO suggested the creation of industrial free zones, possibly combined at a later stage with commercial free zones, in the islands of Azores and Madeira. Due to lack of time, it was impossible to discuss with the relevant regional authorities this proposal. However, informal talks with MIT revealed that the idea could have a substantial impact. As a first step in this line, participation of two Government officials at the 1978 Shannon Training Course is suggested.

5. Programme of Technical Assistance in the Industrial Sector

External inputs in man-months except where indicated otherwise.

1st phase - Specific Assistance to IAPMEI

	<u>External inputs required</u>		
	<u>1977</u>	<u>1978</u>	<u>Source</u>
Project evaluator - 6 m/m	3	3	IPF
Short-term specialists - 6 m/m	-	6	IPF
Fellowships - 6 m/m	-	6	IPF

2nd phase - Assistance in the industry sector

<u>Experts</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>Source</u>
Information Specialist (GFIT)	1 wk	-	-	-	-	UNIDO
Management Development (GFIT) ¹	-	6	6	6	-	IPF
Post-graduate education (GFIT) ^{1, 2}	-	6	-	-	-	IPF
Reconversion of textile						
industry (DGITV)	-	6	-	-	-	IPF
Textile Machinery Survey and						
Manufacturing plan (DGITV/ DGIEE)	-	3	-	-	-	SIS
Engineering Industries (DGIEE) ³	-	6	6	6	6	IPF
Quality Control Laboratories (LNIL)	-	3	-	-	-	IPF
Transfer of Technology (PRECIX)	1	-	-	-	-	SIS

<u>Fellowships - Study Tours</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>Source</u>
<u>Training Programme Information</u>						
Officers (GFIT)	-	-	-	40,000	-	IPF
<u>Trainers on management development</u>						
(GFIT) ¹	-	3	3	3	-	IPF
<u>Reconversion of textile industry</u>						
(DGITV)	-	2	2	-	-	IPF
Engineering Industries (DGIE) ³	-	6	6	6	-	IPF
Standardization and QC (DGQ)	3	3	3	3	3	IPF
Metrology Study Tours (DGQ)	-	1	1	-	-	TCDC
Study Tours reorganization (MIT/GORT) ¹	-	1	-	-	-	TCDC
<u>Industrial Free Zone (Azores and Madeira)</u>						
	-	2	-	-	-	IPF
<u>Equipment</u>						
Metrology Equipment (DGQ)	-	-	-	25,000	-	IPF or Bill
QC Laboratories (LNIL)	-	50,000	50,000	50,000	-	IPF or Bill

NOTE:

- 1 To be co-ordinated with the ILO Project
- 2 To be followed-up by bi-lateral assistance
- 3 To be defined

List of Persons Met

Ministry of Foreign Affairs

Direcção-Geral dos Negócios Económicos

- Mr. Manuel Barreiros Martin

Chefe da Repartição dos Organismos Económicos Internacionais

- Mr. Manuel Pereira Guimarães

Ministry of Industry and Technology

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- Mr. Frederico Alcântara de Melo - Director dos Serviços para as Relações Económicas Internacionais

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- Mr. Vitor Duarte Corado Simões

Direcção Geral dos Combustiveis

- Mr. José Isidoro d'Oliveira Carvalho Netto - Gabinete de Estudos
- Eng. Maria Manuela J.M. Menezes Azevedo

Direcção Geral dos Serviços Electricos

- Ms. Guida Lami Dias de Silva

Direcção Geral das Industrias Electrometalomecânicas e Electrónicas

- Mr. Carlos Borges Florêncio
- Ms. Edita Mathes - Directora de Serviço (Engenharia e Technica)

Direcção Geral da Qualidade

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- Eng. Vitor Manuel Alves de Figueiredo

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- Mr. José Hipólito da Costa Monteiro

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- Ms. Maria Inês Florencia - Sub-Directora Geral

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- Eng. José Pinto das Santos - Technico
- Ms. Elina Morais Neves
- Ms. Celeste Morgado Tavares

- Eng. Maria Helena da Silva Blanqui Teixeira - Técnica de Patentes
- Eng. Maria de Assunção Crespo Abranches de Soveral - Técnica de Patentes

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- Dr. P. Vieira de Sá - Sub-Director Geral (Laboratórios e Assistência Técnica)

Direcção Geral das Madeiras e Cortiças

- Dr. Marco António Monteiro de Oliveira

PRECIX

- Eng. José António Muñoz - Administrador-Geral

Secretaria de Estado de Energia e Minas

- Luis F. Moura e Silva - Comissão para o lançamento do programa do aproveitamento integrado das Pirites

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- Mr. Raul dos Santos Curcialeiro - Técnico
- Ms. Maria Marta Rosata de Melo Antunes - Técnico

Instituto de Apoio às Pequenas e Médias Empresas Industriais

- Eng. Amadeu Pires - Presidente
- Dr. Luis Palma Féria - Director, Divisão de Documentação e Informação

Ministry of Planning and Co-ordination

Gabinete do Secretário de Estado do Planeamento

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- Mr. Jerónimo Fonseca de Castro - Assesor do Gabinete do Secretário

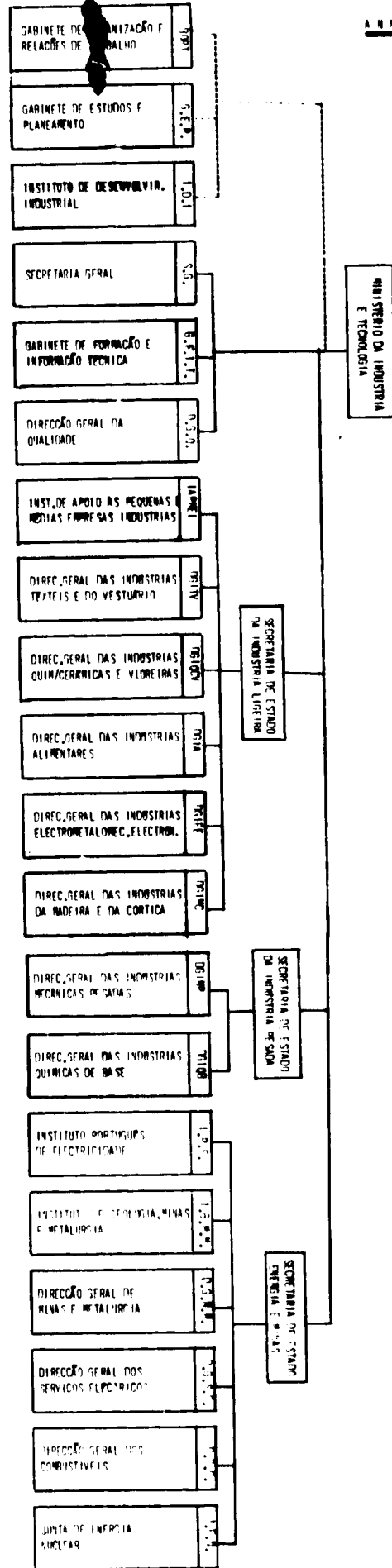
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- Eng. Protes da Fonseca - Director Técnico
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Ministério do Comércio Exterior

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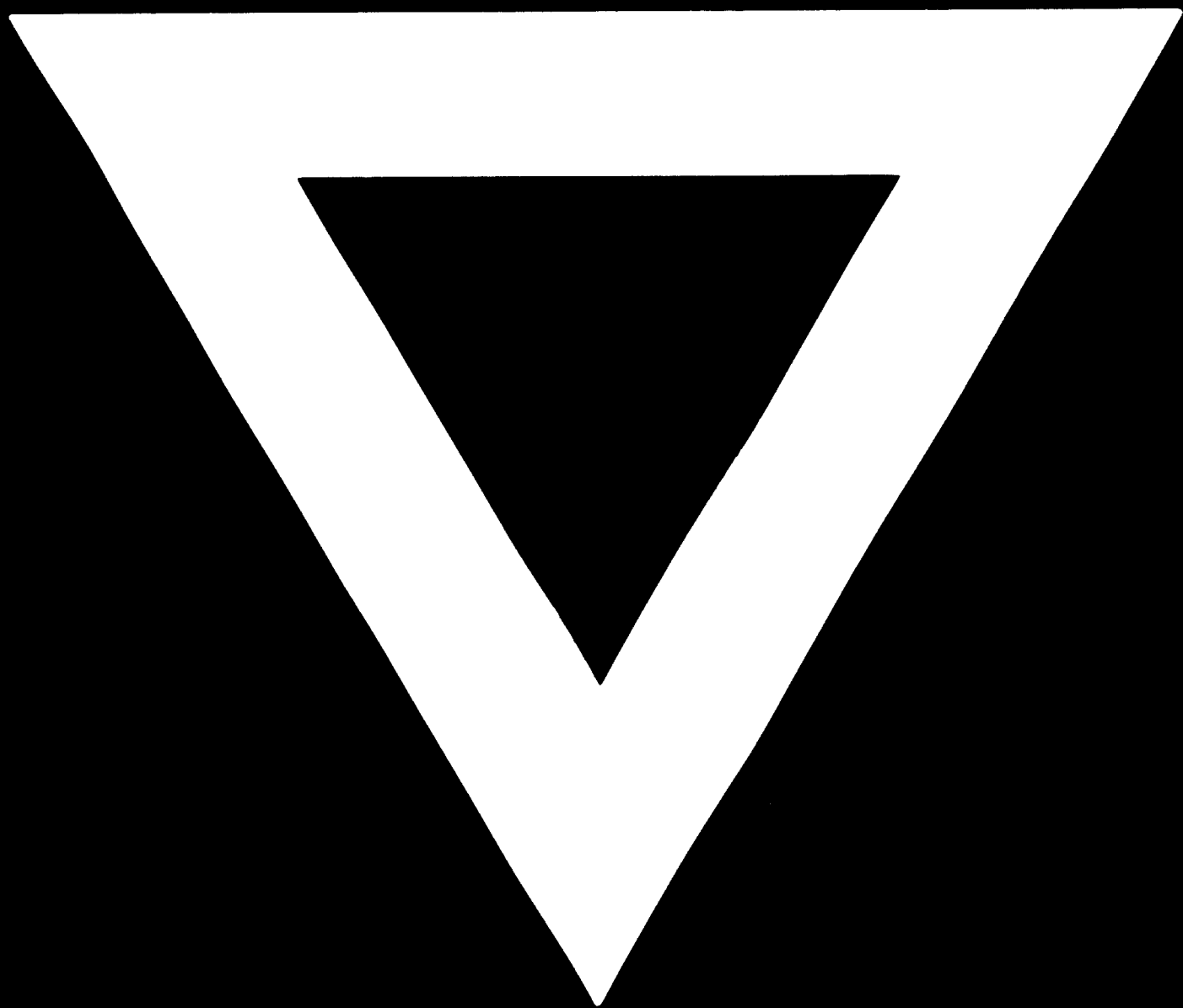
- Mr. Rogério da Fonseca - Fundo de Fomento de Exportação, Formação de Gestores de Comércio Externo
- Ms. M. da Conceição Castro Dias
- Mr. George Papazafirooulos - ITC



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